

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

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Ellington Financial LLC

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partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income

Schedule E, line 28, column (g)

Net loss

See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	Form 1040, line 73; check box a

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

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If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

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Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
12	Section 179 deduction	19	Distributions
		A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	See Form 8582 instructions
from rental real estate activities	
R Pensions and IRAs	
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$	(30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
12	Section 179 deduction	19	Distributions
		A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

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I1 What type of entity is this partner? INDIVIDUAL

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	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
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8	Net short-term capital gain (loss)		
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9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
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13	Other deductions		
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K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions
12. Section 179 deduction	See the Partner's Instructions
13. Other deductions	
A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions
4. Guaranteed payments	Schedule E, line 28, column (j)
5. Interest income	Form 1040, line 8a
6a. Ordinary dividends	Form 1040, line 9a
6b. Qualified dividends	Form 1040, line 9b
7. Royalties	Schedule E, line 4
8. Net short-term capital gain (loss)	Schedule D, line 5
9a. Net long-term capital gain (loss)	Schedule D, line 12
9b. Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)

9c. Unrecaptured section 1250 gain See the Partner's Instructions
10. Net section 1231 gain (loss) See the Partner's Instructions

11. Other income (loss)	
<i>Code</i>	
A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions
12. Section 179 deduction	See the Partner's Instructions
13. Other deductions	
A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	Schedule E, line 19
I Deductions—royalty income	See the Partner's Instructions
J Section 59(e)(2) expenditures	Schedule A, line 23
K Deductions—portfolio (2% floor)	Schedule A, line 28
L Deductions—portfolio (other)	Schedule A, line 29
M Amounts paid for medical insurance	See the Partner's Instructions
N Educational assistance benefits	Form 2441, line 12
O Dependent care benefits	See the Partner's Instructions
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
16. Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
Foreign gross income sourced at partnership level	
D Passive category	Form 1116, Part I
E General category	
F Other	
Deductions allocated and apportioned at partner level	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
Deductions allocated and apportioned at partnership level to foreign source income	
I Passive category	Form 1116, Part I
J General category	
K Other	
Other information	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
17. Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
18. Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
19. Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
20. Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

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	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
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13K	Total Other Deductions	<u>239</u>

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PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

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NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

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Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income

Schedule E, line 28, column (g)

Net loss

See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

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Ellington Financial LLC

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2014 Income Tax Reporting Package

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A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

Schedule D, line 5

Schedule D, line 12

28% Rate Gain Worksheet, line 4

(Schedule D instructions)

See the Partner's Instructions

See the Partner's Instructions

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

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No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

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Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

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NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

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If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

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Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	See Form 8582 instructions
from rental real estate activities	
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

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Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

- 4. Guaranteed payments** See the Partner's Instructions
5. Interest income Schedule E, line 28, column (j)
6a. Ordinary dividends Form 1040, line 8a
6b. Qualified dividends Form 1040, line 9b
7. Royalties Schedule E, line 4
8. Net short-term capital gain (loss) Schedule D, line 5
9a. Net long-term capital gain (loss) Schedule D, line 12
9b. Collectibles (28%) gain (loss) 28% Rate Gain Worksheet, line 4 (Schedule D instructions)

- 9c. Unrecaptured section 1250 gain** See the Partner's Instructions
10. Net section 1231 gain (loss) See the Partner's Instructions

- 11. Other income (loss)**
- | Code | |
|---|--------------------------------|
| A Other portfolio income (loss) | See the Partner's Instructions |
| B Involuntary conversions | See the Partner's Instructions |
| C Sec. 1256 contracts & straddles | Form 6781, line 1 |
| D Mining exploration costs recapture | See Pub. 535 |
| E Cancellation of debt | Form 1040, line 21 or Form 982 |
| F Other income (loss) | See the Partner's Instructions |
- 12. Section 179 deduction** See the Partner's Instructions
- 13. Other deductions**
- | | |
|---|--|
| A Cash contributions (50%) | See the Partner's Instructions |
| B Cash contributions (30%) | |
| C Noncash contributions (50%) | |
| D Noncash contributions (30%) | |
| E Capital gain property to a 50% organization (30%) | |
| F Capital gain property (20%) | See the Partner's Instructions |
| G Contributions (100%) | |
| H Investment interest expense | Form 4952, line 1 |
| I Deductions—royalty income | Schedule E, line 19 |
| J Section 59(e)(2) expenditures | See the Partner's Instructions |
| K Deductions—portfolio (2% floor) | Schedule A, line 23 |
| L Deductions—portfolio (other) | Schedule A, line 28 |
| M Amounts paid for medical insurance | Schedule A, line 1 or Form 1040, line 29 |
| N Educational assistance benefits | See the Partner's Instructions |
| O Dependent care benefits | Form 2441, line 12 |
| P Preproductive period expenses | See the Partner's Instructions |
| Q Commercial revitalization deduction from rental real estate activities | See Form 8582 instructions |
| R Pensions and IRAs | See the Partner's Instructions |
| S Reforestation expense deduction | See the Partner's Instructions |
| T Domestic production activities information | See Form 8903 instructions |
| U Qualified production activities income | Form 8903, line 7b |
| V Employer's Form W-2 wages | Form 8903, line 17 |
| W Other deductions | See the Partner's Instructions |

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

- | | |
|---|--------------------------------|
| A Net earnings (loss) from self-employment | Schedule SE, Section A or B |
| B Gross farming or fishing income | See the Partner's Instructions |
| C Gross non-farm income | See the Partner's Instructions |

15. Credits

- | | |
|--|---------------------------------|
| A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings | See the Partner's Instructions |
| B Low-income housing credit (other) from pre-2008 buildings | |
| C Low-income housing credit (section 42(j)(5)) from post-2007 buildings | |
| D Low-income housing credit (other) from post-2007 buildings | |
| E Qualified rehabilitation expenditures (rental real estate) | |
| F Other rental real estate credits | Form 1040, line 73; check box a |
| G Other rental credits | |
| H Undistributed capital gains credit | |
| I Biofuel producer credit | |
| J Work opportunity credit | |
| K Disabled access credit | See the Partner's Instructions |

- | Code | | <i>Report on</i> |
|---|---|------------------|
| L Empowerment zone employment credit | See the Partner's Instructions | |
| M Credit for increasing research activities | | |
| N Credit for employer social security and Medicare taxes | | |
| O Backup withholding | | |
| P Other credits | | |
| 16. Foreign transactions | | |
| A Name of country or U.S. possession | Form 1116, Part I | |
| B Gross income from all sources | | |
| C Gross income sourced at partner level | | |
| <i>Foreign gross income sourced at partnership level</i> | | |
| D Passive category | Form 1116, Part I | |
| E General category | | |
| F Other | | |
| <i>Deductions allocated and apportioned at partner level</i> | | |
| G Interest expense | Form 1116, Part I | |
| H Other | Form 1116, Part I | |
| <i>Deductions allocated and apportioned at partnership level to foreign source income</i> | | |
| I Passive category | Form 1116, Part I | |
| J General category | | |
| K Other | | |
| <i>Other information</i> | | |
| L Total foreign taxes paid | Form 1116, Part II | |
| M Total foreign taxes accrued | Form 1116, Part II | |
| N Reduction in taxes available for credit | Form 1116, line 12 | |
| O Foreign trading gross receipts | Form 8873 | |
| P Extraterritorial income exclusion | Form 8873 | |
| Q Other foreign transactions | See the Partner's Instructions | |
| 17. Alternative minimum tax (AMT) items | | |
| A Post-1986 depreciation adjustment | See the Partner's Instructions and the Instructions for Form 6251 | |
| B Adjusted gain or loss | | |
| C Depletion (other than oil & gas) | | |
| D Oil, gas, & geothermal—gross income | | |
| E Oil, gas, & geothermal—deductions | | |
| F Other AMT items | | |
| 18. Tax-exempt income and nondeductible expenses | | |
| A Tax-exempt interest income | Form 1040, line 8b | |
| B Other tax-exempt income | See the Partner's Instructions | |
| C Nondeductible expenses | See the Partner's Instructions | |
| 19. Distributions | | |
| A Cash and marketable securities | See the Partner's Instructions | |
| B Distribution subject to section 737 | | |
| C Other property | | |
| 20. Other information | | |
| A Investment income | Form 4952, line 4a | |
| B Investment expenses | Form 4952, line 5 | |
| C Fuel tax credit information | Form 4136 | |
| D Qualified rehabilitation expenditures (other than rental real estate) | See the Partner's Instructions | |
| E Basis of energy property | See the Partner's Instructions | |
| F Recapture of low-income housing credit (section 42(j)(5)) | Form 8611, line 8 | |
| G Recapture of low-income housing credit (other) | Form 8611, line 8 | |
| H Recapture of investment credit | See Form 4255 | |
| I Recapture of other credits | See the Partner's Instructions | |
| J Look-back interest—completed long-term contracts | See Form 8697 | |
| K Look-back interest—income forecast method | See Form 8866 | |
| L Dispositions of property with section 179 deductions | See the Partner's Instructions | |
| M Recapture of section 179 deduction | | |
| N Interest expense for corporate partners | | |
| O Section 453(l)(3) information | | |
| P Section 453A(c) information | | |
| Q Section 1260(b) information | | |
| R Interest allocable to production expenditures | | |
| S CCF nonqualified withdrawals | | |
| T Depletion information—oil and gas | | |
| U Reserved | | |
| V Unrelated business taxable income | | |
| W Precontribution gain (loss) | | |
| X Section 108(l) information | | |
| Y Net investment income | | |
| Z Other information | | |

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

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A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

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I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
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7	Royalties		
8	Net short-term capital gain (loss)		
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9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
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13	Other deductions		
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		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

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1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

3. Other net rental income (loss)

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)
See the Partner's Instructions
See the Partner's Instructions

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code	
A	Other portfolio income (loss)
B	Involuntary conversions
C	Sec. 1256 contracts & straddles
D	Mining exploration costs recapture
E	Cancellation of debt
F	Other income (loss)

12. Section 179 deduction

13. Other deductions

A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	
I	Deductions—royalty income	
J	Section 59(e)(2) expenditures	
K	Deductions—portfolio (2% floor)	See the Partner's Instructions
L	Deductions—portfolio (other)	Schedule A, line 23
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income

Schedule E, line 28, column (g)

Net loss

See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

Report on

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
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T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

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	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

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PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments Schedule E, line 28, column (j)

5. Interest income Form 1040, line 8a

6a. Ordinary dividends Form 1040, line 9a

6b. Qualified dividends Form 1040, line 9b

7. Royalties Schedule E, line 4

8. Net short-term capital gain (loss) Schedule D, line 5

9a. Net long-term capital gain (loss) Schedule D, line 12

9b. Collectibles (28%) gain (loss) 28% Rate Gain Worksheet, line 4 (Schedule D instructions)

9c. Unrecaptured section 1250 gain See the Partner's Instructions

10. Net section 1231 gain (loss) See the Partner's Instructions

11. Other income (loss)

Code	
A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

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NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

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If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

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The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

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Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
12	Section 179 deduction	19	Distributions
		A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	See the Partner's Instructions
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions
4. Guaranteed payments	Schedule E, line 28, column (j)
5. Interest income	Form 1040, line 8a
6a. Ordinary dividends	Form 1040, line 9a
6b. Qualified dividends	Form 1040, line 9b
7. Royalties	Schedule E, line 4
8. Net short-term capital gain (loss)	Schedule D, line 5
9a. Net long-term capital gain (loss)	Schedule D, line 12
9b. Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)

9c. Unrecaptured section 1250 gain See the Partner's Instructions

10. Net section 1231 gain (loss) See the Partner's Instructions

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	See the Partner's Instructions
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

<i>Code</i>		<i>Report on</i>
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
16. Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
	<i>Foreign gross income sourced at partnership level</i>	
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
	<i>Deductions allocated and apportioned at partner level</i>	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
	<i>Other information</i>	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
17. Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
18. Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
19. Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
20. Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(l) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code	
A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions
12. Section 179 deduction	See the Partner's Instructions
13. Other deductions	
A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

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Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

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Ellington Financial LLC

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2014 Income Tax Reporting Package

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partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income

Schedule E, line 28, column (g)

Net loss

See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	Form 1040, line 73; check box a

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
12	Section 179 deduction	19	Distributions
		A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$	(30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
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N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments Schedule E, line 28, column (j)

5. Interest income Form 1040, line 8a

6a. Ordinary dividends Form 1040, line 9a

6b. Qualified dividends Form 1040, line 9b

7. Royalties Schedule E, line 4

8. Net short-term capital gain (loss) Schedule D, line 5

9a. Net long-term capital gain (loss) Schedule D, line 12

9b. Collectibles (28%) gain (loss) 28% Rate Gain Worksheet, line 4 (Schedule D instructions)

9c. Unrecaptured section 1250 gain See the Partner's Instructions

10. Net section 1231 gain (loss) See the Partner's Instructions

11. Other income (loss)

Code	
A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

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ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

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THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

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- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

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Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

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IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

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Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

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Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

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If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions
12. Section 179 deduction	See the Partner's Instructions
13. Other deductions	
A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	

Form 1040, line 73; check box a

Code

Report on

L	Empowerment zone employment credit	} See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
16.	Foreign transactions	
A	Name of country or U.S. possession	} Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
	<i>Foreign gross income sourced at partnership level</i>	
D	Passive category	} Form 1116, Part I
E	General category	
F	Other	
	<i>Deductions allocated and apportioned at partner level</i>	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I	Passive category	} Form 1116, Part I
J	General category	
K	Other	
	<i>Other information</i>	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
17.	Alternative minimum tax (AMT) items	
A	Post-1986 depreciation adjustment	} See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
18.	Tax-exempt income and nondeductible expenses	
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
19.	Distributions	
A	Cash and marketable securities	} See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
20.	Other information	
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	} See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

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Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

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IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

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A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

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A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

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Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
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U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
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	Foreign Sourced Non-qualified Dividend Income	1,978
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	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
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	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
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13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

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TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

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Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

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Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

Schedule D, line 5

Schedule D, line 12

28% Rate Gain Worksheet, line 4

(Schedule D instructions)

See the Partner's Instructions

See the Partner's Instructions

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	See Form 8582 instructions
from rental real estate activities	
R Pensions and IRAs	
S Reforestation expense deduction	
T Domestic production activities information	
U Qualified production activities income	See Form 8903 instructions
V Employer's Form W-2 wages	Form 8903, line 7b
W Other deductions	Form 8903, line 17

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

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Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

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NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
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- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	See Form 8582 instructions
from rental real estate activities	
R Pensions and IRAs	
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

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Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

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Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(f) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code	
A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions
12. Section 179 deduction	See the Partner's Instructions
13. Other deductions	
A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	See the Partner's Instructions
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions
4. Guaranteed payments	Schedule E, line 28, column (j)
5. Interest income	Form 1040, line 8a
6a. Ordinary dividends	Form 1040, line 9a
6b. Qualified dividends	Form 1040, line 9b
7. Royalties	Schedule E, line 4
8. Net short-term capital gain (loss)	Schedule D, line 5
9a. Net long-term capital gain (loss)	Schedule D, line 12
9b. Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)

9c. Unrecaptured section 1250 gain See the Partner's Instructions

10. Net section 1231 gain (loss) See the Partner's Instructions

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	See the Partner's Instructions
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

<i>Code</i>		<i>Report on</i>
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
16. Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
	<i>Foreign gross income sourced at partnership level</i>	
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
	<i>Deductions allocated and apportioned at partner level</i>	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
	<i>Other information</i>	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
17. Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
18. Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
19. Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
20. Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(l) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

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NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

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If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code	
A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions
12. Section 179 deduction	See the Partner's Instructions
13. Other deductions	
A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

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A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

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Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income

Schedule E, line 28, column (g)

Net loss

See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

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Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

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Ellington Financial LLC

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2014 Income Tax Reporting Package

Frequently Asked Questions

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Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
12	Section 179 deduction	19	Distributions
		A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code	
A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions
12. Section 179 deduction	See the Partner's Instructions
13. Other deductions	
A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	See Form 8582 instructions
from rental real estate activities	
R Pensions and IRAs	
S Reforestation expense deduction	
T Domestic production activities information	
U Qualified production activities income	See Form 8903 instructions
V Employer's Form W-2 wages	Form 8903, line 7b
W Other deductions	Form 8903, line 17

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions
12. Section 179 deduction	See the Partner's Instructions
13. Other deductions	
A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	

Form 1040, line 73; check box a

Code

Report on

L	Empowerment zone employment credit	} See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
16.	Foreign transactions	
A	Name of country or U.S. possession	} Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
	<i>Foreign gross income sourced at partnership level</i>	
D	Passive category	} Form 1116, Part I
E	General category	
F	Other	
	<i>Deductions allocated and apportioned at partner level</i>	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I	Passive category	} Form 1116, Part I
J	General category	
K	Other	
	<i>Other information</i>	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
17.	Alternative minimum tax (AMT) items	
A	Post-1986 depreciation adjustment	} See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
18.	Tax-exempt income and nondeductible expenses	
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
19.	Distributions	
A	Cash and marketable securities	} See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
20.	Other information	
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	} See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
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	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

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Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

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NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

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Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

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Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$	(30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income

Schedule E, line 28, column (g)

Net loss

See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code	
A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions
12. Section 179 deduction	See the Partner's Instructions
13. Other deductions	
A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

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PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions
4. Guaranteed payments	Schedule E, line 28, column (j)
5. Interest income	Form 1040, line 8a
6a. Ordinary dividends	Form 1040, line 9a
6b. Qualified dividends	Form 1040, line 9b
7. Royalties	Schedule E, line 4
8. Net short-term capital gain (loss)	Schedule D, line 5
9a. Net long-term capital gain (loss)	Schedule D, line 12
9b. Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)

9c. Unrecaptured section 1250 gain See the Partner's Instructions

10. Net section 1231 gain (loss) See the Partner's Instructions

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

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Ellington Financial LLC

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2014 Income Tax Reporting Package

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Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions
4. Guaranteed payments	Schedule E, line 28, column (j)
5. Interest income	Form 1040, line 8a
6a. Ordinary dividends	Form 1040, line 9a
6b. Qualified dividends	Form 1040, line 9b
7. Royalties	Schedule E, line 4
8. Net short-term capital gain (loss)	Schedule D, line 5
9a. Net long-term capital gain (loss)	Schedule D, line 12
9b. Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)

9c. Unrecaptured section 1250 gain See the Partner's Instructions

10. Net section 1231 gain (loss) See the Partner's Instructions

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
16.	Foreign transactions	
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
	Foreign gross income sourced at partnership level	
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
	Deductions allocated and apportioned at partner level	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	Deductions allocated and apportioned at partnership level to foreign source income	
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
	Other information	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
17.	Alternative minimum tax (AMT) items	
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
18.	Tax-exempt income and nondeductible expenses	
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
19.	Distributions	
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
20.	Other information	
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$	(30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

Schedule E, line 5

Schedule D, line 12

28% Rate Gain Worksheet, line 4

(Schedule D instructions)

See the Partner's Instructions

See the Partner's Instructions

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	
I	Deductions—royalty income	
J	Section 59(e)(2) expenditures	
K	Deductions—portfolio (2% floor)	See the Partner's Instructions
L	Deductions—portfolio (other)	Schedule A, line 23
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

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PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

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Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

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NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

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Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

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Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

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Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

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Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

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A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

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Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$	(30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	See Form 8582 instructions
from rental real estate activities	
R Pensions and IRAs	
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions
4. Guaranteed payments	Schedule E, line 28, column (j)
5. Interest income	Form 1040, line 8a
6a. Ordinary dividends	Form 1040, line 9a
6b. Qualified dividends	Form 1040, line 9b
7. Royalties	Schedule E, line 4
8. Net short-term capital gain (loss)	Schedule D, line 5
9a. Net long-term capital gain (loss)	Schedule D, line 12
9b. Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)

9c. Unrecaptured section 1250 gain See the Partner's Instructions

10. Net section 1231 gain (loss) See the Partner's Instructions

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
16.	Foreign transactions	
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
	Foreign gross income sourced at partnership level	
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
	Deductions allocated and apportioned at partner level	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	Deductions allocated and apportioned at partnership level to foreign source income	
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
	Other information	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
17.	Alternative minimum tax (AMT) items	
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
18.	Tax-exempt income and nondeductible expenses	
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
19.	Distributions	
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
20.	Other information	
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

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Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

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THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

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Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

Schedule D, line 5

Schedule D, line 12

28% Rate Gain Worksheet, line 4

(Schedule D instructions)

See the Partner's Instructions

See the Partner's Instructions

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

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Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

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Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	Form 1040, line 73; check box a

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
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T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

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	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

See the Partner's Instructions

See the Partner's Instructions

10. Net section 1231 gain (loss)

11. Other income (loss)

Code

- A** Other portfolio income (loss)
- B** Involuntary conversions
- C** Sec. 1256 contracts & straddles
- D** Mining exploration costs recapture
- E** Cancellation of debt
- F** Other income (loss)

See the Partner's Instructions
See the Partner's Instructions
Form 6781, line 1
See Pub. 535
Form 1040, line 21 or Form 982
See the Partner's Instructions
See the Partner's Instructions

12. Section 179 deduction

13. Other deductions

- A** Cash contributions (50%)
- B** Cash contributions (30%)
- C** Noncash contributions (50%)
- D** Noncash contributions (30%)
- E** Capital gain property to a 50% organization (30%)
- F** Capital gain property (20%)
- G** Contributions (100%)
- H** Investment interest expense
- I** Deductions—royalty income
- J** Section 59(e)(2) expenditures
- K** Deductions—portfolio (2% floor)
- L** Deductions—portfolio (other)
- M** Amounts paid for medical insurance
- N** Educational assistance benefits
- O** Dependent care benefits
- P** Preproductive period expenses
- Q** Commercial revitalization deduction from rental real estate activities
- R** Pensions and IRAs
- S** Reforestation expense deduction
- T** Domestic production activities information
- U** Qualified production activities income
- V** Employer's Form W-2 wages
- W** Other deductions

See the Partner's Instructions

Form 4952, line 1

Schedule E, line 19

See the Partner's Instructions

Schedule A, line 23

Schedule A, line 28

Schedule A, line 1 or Form 1040, line 29

See the Partner's Instructions

Form 2441, line 12

See the Partner's Instructions

See Form 8582 instructions

See the Partner's Instructions

See the Partner's Instructions

See Form 8903 instructions

Form 8903, line 7b

Form 8903, line 17

See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

- A** Net earnings (loss) from self-employment
- B** Gross farming or fishing income
- C** Gross non-farm income

Schedule SE, Section A or B

See the Partner's Instructions

See the Partner's Instructions

15. Credits

- A** Low-income housing credit (section 42(j)(5)) from pre-2008 buildings
- B** Low-income housing credit (other) from pre-2008 buildings
- C** Low-income housing credit (section 42(j)(5)) from post-2007 buildings
- D** Low-income housing credit (other) from post-2007 buildings
- E** Qualified rehabilitation expenditures (rental real estate)
- F** Other rental real estate credits
- G** Other rental credits
- H** Undistributed capital gains credit
- I** Biofuel producer credit
- J** Work opportunity credit
- K** Disabled access credit

See the Partner's Instructions

Form 1040, line 73; check box a

See the Partner's Instructions

Code

- L** Empowerment zone employment credit
- M** Credit for increasing research activities
- N** Credit for employer social security and Medicare taxes
- O** Backup withholding
- P** Other credits

Report on

See the Partner's Instructions

16. Foreign transactions

- A** Name of country or U.S. possession
- B** Gross income from all sources
- C** Gross income sourced at partner level
- Foreign gross income sourced at partnership level*
- D** Passive category
- E** General category
- F** Other

Form 1116, Part I

Form 1116, Part I

Deductions allocated and apportioned at partner level

G Interest expense Form 1116, Part I

H Other Form 1116, Part I

Deductions allocated and apportioned at partnership level to foreign source income

- I** Passive category
- J** General category
- K** Other

Form 1116, Part I

Other information

- L** Total foreign taxes paid Form 1116, Part II
- M** Total foreign taxes accrued Form 1116, Part II
- N** Reduction in taxes available for credit Form 1116, line 12
- O** Foreign trading gross receipts Form 8873
- P** Extraterritorial income exclusion Form 8873
- Q** Other foreign transactions See the Partner's Instructions

17. Alternative minimum tax (AMT) items

- A** Post-1986 depreciation adjustment
- B** Adjusted gain or loss
- C** Depletion (other than oil & gas)
- D** Oil, gas, & geothermal—gross income
- E** Oil, gas, & geothermal—deductions
- F** Other AMT items

See the Partner's Instructions and the Instructions for Form 6251

18. Tax-exempt income and nondeductible expenses

- A** Tax-exempt interest income Form 1040, line 8b
- B** Other tax-exempt income See the Partner's Instructions
- C** Nondeductible expenses See the Partner's Instructions

19. Distributions

- A** Cash and marketable securities
- B** Distribution subject to section 737
- C** Other property

See the Partner's Instructions

20. Other information

- A** Investment income Form 4952, line 4a
- B** Investment expenses Form 4952, line 5
- C** Fuel tax credit information Form 4136
- D** Qualified rehabilitation expenditures (other than rental real estate) See the Partner's Instructions
- E** Basis of energy property See the Partner's Instructions
- F** Recapture of low-income housing credit (section 42(j)(5)) Form 8611, line 8
- G** Recapture of low-income housing credit (other) Form 8611, line 8
- H** Recapture of investment credit See Form 4255
- I** Recapture of other credits See the Partner's Instructions
- J** Look-back interest—completed long-term contracts See Form 8697
- K** Look-back interest—income forecast method See Form 8866
- L** Dispositions of property with section 179 deductions
- M** Recapture of section 179 deduction
- N** Interest expense for corporate partners
- O** Section 453(l)(3) information
- P** Section 453A(c) information
- Q** Section 1260(b) information
- R** Interest allocable to production expenditures
- S** CCF nonqualified withdrawals
- T** Depletion information—oil and gas
- U** Reserved
- V** Unrelated business taxable income
- W** Precontribution gain (loss)
- X** Section 108(l) information
- Y** Net investment income
- Z** Other information

See the Partner's Instructions

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

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TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

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Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

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Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

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Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

<i>Code</i>		<i>Report on</i>
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
16. Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
	<i>Foreign gross income sourced at partnership level</i>	
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
	<i>Deductions allocated and apportioned at partner level</i>	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
	<i>Other information</i>	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
17. Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
18. Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
19. Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
20. Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(l) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$	(30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
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13K	Total Other Deductions	<u>239</u>

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PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

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NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

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- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

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Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

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A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

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Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$	(30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	See the Partner's Instructions
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions
4. Guaranteed payments	Schedule E, line 28, column (j)
5. Interest income	Form 1040, line 8a
6a. Ordinary dividends	Form 1040, line 9a
6b. Qualified dividends	Form 1040, line 9b
7. Royalties	Schedule E, line 4
8. Net short-term capital gain (loss)	Schedule D, line 5
9a. Net long-term capital gain (loss)	Schedule D, line 12
9b. Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)

9c. Unrecaptured section 1250 gain See the Partner's Instructions

10. Net section 1231 gain (loss) See the Partner's Instructions

11. Other income (loss) See the Partner's Instructions

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	See the Partner's Instructions
R	from rental real estate activities	See Form 8582 instructions
S	Pensions and IRAs	See the Partner's Instructions
T	Reforestation expense deduction	See the Partner's Instructions
U	Domestic production activities information	See Form 8903 instructions
V	Qualified production activities income	Form 8903, line 7b
W	Employer's Form W-2 wages	Form 8903, line 17
X	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
16.	Foreign transactions	
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
	Foreign gross income sourced at partnership level	
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
	Deductions allocated and apportioned at partner level	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	Deductions allocated and apportioned at partnership level to foreign source income	
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
	Other information	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
17.	Alternative minimum tax (AMT) items	
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
18.	Tax-exempt income and nondeductible expenses	
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
19.	Distributions	
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
20.	Other information	
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments Schedule E, line 28, column (j)

5. Interest income Form 1040, line 8a

6a. Ordinary dividends Form 1040, line 9a

6b. Qualified dividends Form 1040, line 9b

7. Royalties Schedule E, line 4

8. Net short-term capital gain (loss) Schedule D, line 5

9a. Net long-term capital gain (loss) Schedule D, line 12

9b. Collectibles (28%) gain (loss) 28% Rate Gain Worksheet, line 4 (Schedule D instructions)

9c. Unrecaptured section 1250 gain See the Partner's Instructions

10. Net section 1231 gain (loss) See the Partner's Instructions

11. Other income (loss) See the Partner's Instructions

Code	
A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

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NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

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- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

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If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

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Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code	
A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions
12. Section 179 deduction	See the Partner's Instructions
13. Other deductions	
A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

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A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

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Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
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5	Interest income		
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6b	Qualified dividends		
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8	Net short-term capital gain (loss)		
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9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
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ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
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	Foreign Sourced Non-qualified Dividend Income	1,978
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	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
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13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

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NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

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If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions
4. Guaranteed payments	Schedule E, line 28, column (j)
5. Interest income	Form 1040, line 8a
6a. Ordinary dividends	Form 1040, line 9a
6b. Qualified dividends	Form 1040, line 9b
7. Royalties	Schedule E, line 4
8. Net short-term capital gain (loss)	Schedule D, line 5
9a. Net long-term capital gain (loss)	Schedule D, line 12
9b. Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)

9c. Unrecaptured section 1250 gain See the Partner's Instructions

10. Net section 1231 gain (loss) See the Partner's Instructions

11. Other income (loss) See the Partner's Instructions

<i>Code</i>	
A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions
12. Section 179 deduction	See the Partner's Instructions
13. Other deductions	
A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	Schedule E, line 19
I Deductions—royalty income	See the Partner's Instructions
J Section 59(e)(2) expenditures	Schedule A, line 23
K Deductions—portfolio (2% floor)	Schedule A, line 28
L Deductions—portfolio (other)	Schedule A, line 29
M Amounts paid for medical insurance	See the Partner's Instructions
N Educational assistance benefits	Form 2441, line 12
O Dependent care benefits	See the Partner's Instructions
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
16.	Foreign transactions	
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
	Foreign gross income sourced at partnership level	
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
	Deductions allocated and apportioned at partner level	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	Deductions allocated and apportioned at partnership level to foreign source income	
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
	Other information	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
17.	Alternative minimum tax (AMT) items	
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
18.	Tax-exempt income and nondeductible expenses	
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
19.	Distributions	
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
20.	Other information	
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number

26-0489289

B Partnership's name, address, city, state, and ZIP code

ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return

OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number

APPLD FOR

F Partner's name, address, city, state, and ZIP code

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC
member-manager

☒ Limited partner or other LLC
member

H ☒ Domestic partner

☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here
..... ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
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	Management Fees	(3,884)
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	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

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Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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2014 Income Tax Reporting Package

Frequently Asked Questions

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IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

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A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
12	Section 179 deduction	19	Distributions
		A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions
4. Guaranteed payments	Schedule E, line 28, column (j)
5. Interest income	Form 1040, line 8a
6a. Ordinary dividends	Form 1040, line 9a
6b. Qualified dividends	Form 1040, line 9b
7. Royalties	Schedule E, line 4
8. Net short-term capital gain (loss)	Schedule D, line 5
9a. Net long-term capital gain (loss)	Schedule D, line 12
9b. Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)

9c. Unrecaptured section 1250 gain See the Partner's Instructions

10. Net section 1231 gain (loss) See the Partner's Instructions

11. Other income (loss) See the Partner's Instructions

<i>Code</i>	
A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions
12. Section 179 deduction	See the Partner's Instructions
13. Other deductions	
A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	Schedule E, line 19
I Deductions—royalty income	See the Partner's Instructions
J Section 59(e)(2) expenditures	Schedule A, line 23
K Deductions—portfolio (2% floor)	Schedule A, line 28
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
16.	Foreign transactions	
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
	Foreign gross income sourced at partnership level	
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
	Deductions allocated and apportioned at partner level	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	Deductions allocated and apportioned at partnership level to foreign source income	
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
	Other information	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
17.	Alternative minimum tax (AMT) items	
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
18.	Tax-exempt income and nondeductible expenses	
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
19.	Distributions	
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
20.	Other information	
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	See Form 8582 instructions
from rental real estate activities	
R Pensions and IRAs	
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

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No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

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Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

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THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

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If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

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Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number

26-0489289

B Partnership's name, address, city, state, and ZIP code

ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return

OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number

APPLD FOR

F Partner's name, address, city, state, and ZIP code

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC
member-manager

☒ Limited partner or other LLC
member

H ☒ Domestic partner

☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here
..... ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
12	Section 179 deduction	19	Distributions
		A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

Schedule E, line 5

Schedule D, line 12

28% Rate Gain Worksheet, line 4

(Schedule D instructions)

See the Partner's Instructions

See the Partner's Instructions

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 29
M	Amounts paid for medical insurance	See the Partner's Instructions
N	Educational assistance benefits	Form 2441, line 12
O	Dependent care benefits	See the Partner's Instructions
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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2014 Income Tax Reporting Package

Frequently Asked Questions

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Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

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Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions
12. Section 179 deduction	See the Partner's Instructions
13. Other deductions	
A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	

Form 1040, line 73; check box a

Code

Report on

L	Empowerment zone employment credit	} See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
16.	Foreign transactions	
A	Name of country or U.S. possession	} Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
	<i>Foreign gross income sourced at partnership level</i>	
D	Passive category	} Form 1116, Part I
E	General category	
F	Other	
	<i>Deductions allocated and apportioned at partner level</i>	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I	Passive category	} Form 1116, Part I
J	General category	
K	Other	
	<i>Other information</i>	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
17.	Alternative minimum tax (AMT) items	
A	Post-1986 depreciation adjustment	} See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
18.	Tax-exempt income and nondeductible expenses	
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
19.	Distributions	
A	Cash and marketable securities	} See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
20.	Other information	
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	} See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

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Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	Form 1040, line 73; check box a

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

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NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

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Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	See Form 8582 instructions
from rental real estate activities	
R Pensions and IRAs	
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

Schedule E, line 5

Schedule D, line 12

28% Rate Gain Worksheet, line 4

(Schedule D instructions)

See the Partner's Instructions

See the Partner's Instructions

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
12	Section 179 deduction	19	Distributions
		A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

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Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

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PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

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Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

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Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income

Schedule E, line 28, column (g)

Net loss

See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

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Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

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NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

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Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
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3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income

Schedule E, line 28, column (g)

Net loss

See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
12	Section 179 deduction	19	Distributions
		A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income

Schedule E, line 28, column (g)

Net loss

See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

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ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

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TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
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END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

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Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

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Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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2014 Income Tax Reporting Package

Frequently Asked Questions

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Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

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Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions
12. Section 179 deduction	See the Partner's Instructions
13. Other deductions	
A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	

Form 1040, line 73; check box a

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions
12. Section 179 deduction	See the Partner's Instructions
13. Other deductions	
A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	Form 4952, line 1
I Deductions—royalty income	Schedule E, line 19
J Section 59(e)(2) expenditures	See the Partner's Instructions
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction	
from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	See the Partner's Instructions
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	

Form 1040, line 73; check box a

Code

Report on

L	Empowerment zone employment credit	} See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
16.	Foreign transactions	
A	Name of country or U.S. possession	} Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
	<i>Foreign gross income sourced at partnership level</i>	
D	Passive category	} Form 1116, Part I
E	General category	
F	Other	
	<i>Deductions allocated and apportioned at partner level</i>	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I	Passive category	} Form 1116, Part I
J	General category	
K	Other	
	<i>Other information</i>	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
17.	Alternative minimum tax (AMT) items	
A	Post-1986 depreciation adjustment	} See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
18.	Tax-exempt income and nondeductible expenses	
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
19.	Distributions	
A	Cash and marketable securities	} See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
20.	Other information	
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	} See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

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ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

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THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

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Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

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Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

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Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

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Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

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A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

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A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

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Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

<i>Code</i>		<i>Report on</i>
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
16. Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
	<i>Foreign gross income sourced at partnership level</i>	
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
	<i>Deductions allocated and apportioned at partner level</i>	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
	<i>Other information</i>	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
17. Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
18. Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
19. Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
20. Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(l) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments Schedule E, line 28, column (j)

5. Interest income Form 1040, line 8a

6a. Ordinary dividends Form 1040, line 9a

6b. Qualified dividends Form 1040, line 9b

7. Royalties Schedule E, line 4

8. Net short-term capital gain (loss) Schedule D, line 5

9a. Net long-term capital gain (loss) Schedule D, line 12

9b. Collectibles (28%) gain (loss) 28% Rate Gain Worksheet, line 4 (Schedule D instructions)

9c. Unrecaptured section 1250 gain See the Partner's Instructions

10. Net section 1231 gain (loss) See the Partner's Instructions

11. Other income (loss)

Code	
A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income

Schedule E, line 28, column (g)

Net loss

See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	See the Partner's Instructions
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	Schedule A, line 23
L Deductions—portfolio (other)	Schedule A, line 28
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

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ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

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THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

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Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
12	Section 179 deduction	19	Distributions
		A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

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Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

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A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

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Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$	(30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions
4. Guaranteed payments	Schedule E, line 28, column (j)
5. Interest income	Form 1040, line 8a
6a. Ordinary dividends	Form 1040, line 9a
6b. Qualified dividends	Form 1040, line 9b
7. Royalties	Schedule E, line 4
8. Net short-term capital gain (loss)	Schedule D, line 5
9a. Net long-term capital gain (loss)	Schedule D, line 12
9b. Collectibles (28%) gain (loss)	28% Rate Gain Worksheet, line 4 (Schedule D instructions)

9c. Unrecaptured section 1250 gain See the Partner's Instructions

10. Net section 1231 gain (loss) See the Partner's Instructions

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
16.	Foreign transactions	
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
	Foreign gross income sourced at partnership level	
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
	Deductions allocated and apportioned at partner level	
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
	Deductions allocated and apportioned at partnership level to foreign source income	
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
	Other information	
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
17.	Alternative minimum tax (AMT) items	
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
18.	Tax-exempt income and nondeductible expenses	
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
19.	Distributions	
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
20.	Other information	
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

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NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

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If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

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Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income

Schedule E, line 28, column (g)

Net loss

See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code

L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	

ELLINGTON FINANCIAL LLC
2014 SUPPLEMENTAL INFORMATION

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?
☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
12	Section 179 deduction	19	Distributions
		A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)Department of the Treasury
Internal Revenue Service

2014

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____Partner's Share of Income, Deductions,
Credits, etc.

▶ See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870C IRS Center where partnership filed return
OGDEND ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FORF Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC memberH ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)☐ Final K-1☐ Amended K-1651113
OMB No. 1545-0123Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
12	Section 179 deduction	19	Distributions
		A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
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	U.S. Sourced Non-qualified Dividend Income	2
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	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
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13K	Total Other Deductions	<u>239</u>

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Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

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PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

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100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

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NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	Form 4952, line 1
G	Contributions (100%)	
H	Investment interest expense	Schedule E, line 19
I	Deductions—royalty income	See the Partner's Instructions
J	Section 59(e)(2) expenditures	Schedule A, line 23
K	Deductions—portfolio (2% floor)	Schedule A, line 28
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction	
	from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	Form 1040, line 73; check box a
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	See the Partner's Instructions

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

Partner DataLink
Ellington Financial LLC
PO Box 8447
Hermitage, TN 37076-8447

Phone: (855) 237-3734

Fax: (215) 982-6302

Email: EllingtonK1Help@Deloitte.com

Website: www.partnerdatalink.com/Ellington

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

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Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

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EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

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The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

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Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)
2. Net rental real estate income (loss)	See the Partner's Instructions
3. Other net rental income (loss)	
Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

5. Interest income

6a. Ordinary dividends

6b. Qualified dividends

7. Royalties

8. Net short-term capital gain (loss)

9a. Net long-term capital gain (loss)

9b. Collectibles (28%) gain (loss)

See the Partner's Instructions
Schedule E, line 28, column (g)
Schedule E, line 28, column (h)
Schedule E, line 28, column (j)
See the Partner's Instructions
Schedule E, line 28, column (g)
See the Partner's Instructions
Schedule E, line 28, column (j)
Form 1040, line 8a
Form 1040, line 9a
Form 1040, line 9b
Schedule E, line 4
Schedule D, line 5
Schedule D, line 12
28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

10. Net section 1231 gain (loss)

11. Other income (loss)

<i>Code</i>		
A	Other portfolio income (loss)	See the Partner's Instructions
B	Involuntary conversions	See the Partner's Instructions
C	Sec. 1256 contracts & straddles	Form 6781, line 1
D	Mining exploration costs recapture	See Pub. 535
E	Cancellation of debt	Form 1040, line 21 or Form 982
F	Other income (loss)	See the Partner's Instructions
12. Section 179 deduction		See the Partner's Instructions
13. Other deductions		
A	Cash contributions (50%)	See the Partner's Instructions
B	Cash contributions (30%)	
C	Noncash contributions (50%)	
D	Noncash contributions (30%)	
E	Capital gain property to a 50% organization (30%)	
F	Capital gain property (20%)	See the Partner's Instructions
G	Contributions (100%)	
H	Investment interest expense	Form 4952, line 1
I	Deductions—royalty income	Schedule E, line 19
J	Section 59(e)(2) expenditures	See the Partner's Instructions
K	Deductions—portfolio (2% floor)	Schedule A, line 23
L	Deductions—portfolio (other)	Schedule A, line 28
M	Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N	Educational assistance benefits	See the Partner's Instructions
O	Dependent care benefits	Form 2441, line 12
P	Preproductive period expenses	See the Partner's Instructions
Q	Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R	Pensions and IRAs	See the Partner's Instructions
S	Reforestation expense deduction	See the Partner's Instructions
T	Domestic production activities information	See Form 8903 instructions
U	Qualified production activities income	Form 8903, line 7b
V	Employer's Form W-2 wages	Form 8903, line 17
W	Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A	Net earnings (loss) from self-employment	Schedule SE, Section A or B
B	Gross farming or fishing income	See the Partner's Instructions
C	Gross non-farm income	See the Partner's Instructions

15. Credits

A	Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B	Low-income housing credit (other) from pre-2008 buildings	
C	Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D	Low-income housing credit (other) from post-2007 buildings	
E	Qualified rehabilitation expenditures (rental real estate)	
F	Other rental real estate credits	See the Partner's Instructions
G	Other rental credits	
H	Undistributed capital gains credit	
I	Biofuel producer credit	
J	Work opportunity credit	
K	Disabled access credit	

Form 1040, line 73; check box a

Code		Report on
L	Empowerment zone employment credit	See the Partner's Instructions
M	Credit for increasing research activities	
N	Credit for employer social security and Medicare taxes	
O	Backup withholding	
P	Other credits	
Foreign transactions		
A	Name of country or U.S. possession	Form 1116, Part I
B	Gross income from all sources	
C	Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>		
D	Passive category	Form 1116, Part I
E	General category	
F	Other	
<i>Deductions allocated and apportioned at partner level</i>		
G	Interest expense	Form 1116, Part I
H	Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>		
I	Passive category	Form 1116, Part I
J	General category	
K	Other	
<i>Other information</i>		
L	Total foreign taxes paid	Form 1116, Part II
M	Total foreign taxes accrued	Form 1116, Part II
N	Reduction in taxes available for credit	Form 1116, line 12
O	Foreign trading gross receipts	Form 8873
P	Extraterritorial income exclusion	Form 8873
Q	Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items		
A	Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B	Adjusted gain or loss	
C	Depletion (other than oil & gas)	
D	Oil, gas, & geothermal—gross income	
E	Oil, gas, & geothermal—deductions	
F	Other AMT items	
Tax-exempt income and nondeductible expenses		
A	Tax-exempt interest income	Form 1040, line 8b
B	Other tax-exempt income	See the Partner's Instructions
C	Nondeductible expenses	See the Partner's Instructions
Distributions		
A	Cash and marketable securities	See the Partner's Instructions
B	Distribution subject to section 737	
C	Other property	
Other information		
A	Investment income	Form 4952, line 4a
B	Investment expenses	Form 4952, line 5
C	Fuel tax credit information	Form 4136
D	Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E	Basis of energy property	See the Partner's Instructions
F	Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G	Recapture of low-income housing credit (other)	Form 8611, line 8
H	Recapture of investment credit	See Form 4255
I	Recapture of other credits	See the Partner's Instructions
J	Look-back interest—completed long-term contracts	See Form 8697
K	Look-back interest—income forecast method	See Form 8866
L	Dispositions of property with section 179 deductions	See the Partner's Instructions
M	Recapture of section 179 deduction	
N	Interest expense for corporate partners	
O	Section 453(l)(3) information	
P	Section 453A(c) information	
Q	Section 1260(b) information	
R	Interest allocable to production expenditures	
S	CCF nonqualified withdrawals	
T	Depletion information—oil and gas	
U	Reserved	
V	Unrelated business taxable income	
W	Precontribution gain (loss)	
X	Section 108(i) information	
Y	Net investment income	
Z	Other information	

ELLINGTON FINANCIAL LLC**2014 SUPPLEMENTAL INFORMATION**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

Line	Description	Amount
	Ordinary business income (loss)	
	U.S. Government Interest as Non-qualified Dividend Income	-
	U.S. Sourced Interest Income	34,074
	U.S. Government Interest	730
	U.S. Sourced Non-qualified Dividend Income	2
	Foreign Sourced Non-qualified Dividend Income	1,978
	Management Fees	(3,884)
	Incentive Fees	(511)
	Trade Or Business Expenses	(2,568)
	Professional Fees	(733)
	Amortization	(5)
	Guaranteed Payments Received – Not Treated as Portfolio Interest	97
1	Total Ordinary business income (loss)	<u>29,180</u>
	Other Income (Loss)	
	Section 475(F) Mark-to-Market Gain (Loss)	(4,527)
	Section 475(F) Mark-to-Market Gain (Loss) – U.S. Treasuries	1,377
	Swap Income	6,171
	Swap Expense	(8,428)
	Sub-Part F Income	26
11F	Total Other Income (Loss)	<u>(5,381)</u>
	Other Deductions – Portfolio Deductions (2% Floor)	
	Professional Fees	31
	Other Portfolio Deductions	208
13K	Total Other Deductions	<u>239</u>

Partner Footnotes:

Ellington Financial LLC ("EFC") has taken the tax return filing position that its direct activities generally constitute a trade or business for federal income tax purposes. As such, EFC's expenses, other than interest, have been included on Schedule K-1, Box 1 as an element of ordinary business income / (loss). EFC's share of expenses from an investment partnership have been reported on Line 13K. Furthermore, EFC is subject to a mark to market election as a trader in securities under IRC Section 475(f)(1). All gains and losses (which are ordinary gains) pursuant to this election have been included on Schedule K-1, Box 11, Code F. Capital gains and losses on securities not covered by the trader election have been included on Schedule K-1, Boxes 8 and 9A.

Please note that none of the distributive share items reported on this Schedule K-1 are considered as derived from a passive activity under Treasury Regulation Section 1.469-1T(e)(6). Accordingly, income allocated to you on this Schedule K-1 generally will not be able to offset passive losses you incur from other investments.

Investment income/expense items in Box 1, 8 and 11 have not been included in Boxes 20, Codes A or B. Please consult your tax advisor.

PART III, BOX 20 OTHER INFORMATION, CODE V – UNRELATED BUSINESS TAXABLE INCOME: For tax-exempt organizations only: 70.128% of all Schedule K-1 items of income/(loss) and deductions are treated as Unrelated Business Taxable Income (UBTI, see Frequently Asked Questions page) except Lines 5, 8, 9A, 11F (Section 475(f) gain (loss)) and 13K. 76.446% of Line 11F, Section 475(f) gain (loss), is treated as UBTI. 0% of Lines 5, 8, 9A and 13 are treated as UBTI.

PART III, BOX 20 OTHER INFORMATION, CODE Y – NET INVESTMENT INCOME: The partnership is engaged in the trade or business of trading in financial instruments. As such the income/loss from this activity is subject to the net investment income tax under IRC Section 1411. Therefore, these amounts generally need to be reported by individuals, estates and trusts on Form 8960, in addition to the forms indicated on page 2 of Schedule K-1. Please consult your tax advisor.

No amounts reported on Schedule K-1 represent income effectively connected with a U.S. trade or business. The partnership did not generate any items of income or loss that were derived from or connected with sources from within any state. However, as with any items of income or loss, these may be taxable in your state of domicile. Please consult your tax advisor.

100% of interest and dividend income reported on Schedule K-1 represent portfolio interest as defined under IRC Section 871(h)(2), and thus is exempt from U.S. withholding tax for foreign investors, unless otherwise indicated.

Please consult your tax advisor.

ELLINGTON FINANCIAL LLC**2014 OWNERSHIP SCHEDULE**

PARTNER NAME: SAMPLE PARTNER A

PARTNER FEDERAL ID & ENTITY TYPE: APPLD FOR / INDIVIDUAL

CUSTODIAN FEDERAL ID (IF APPLICABLE):

This schedule details your transactional history regarding shares of Ellington Financial LLC, as reported to the Partnership by your broker or our transfer agent through December 31, 2014. This schedule is limited to all shares that are reported as owned by the partner federal identification number and entity type shown above.

NOTE: A separate schedule and related Tax Package may be issued for any other entity types associated with the partner federal identification number shown above.

The transactional information contained below has been utilized to prepare this Tax Package. If this transactional information is incorrect, then the information reported in this Tax Package (as well as the information reported to the IRS) may be incorrect. **To report any errors or inaccuracies, please contact Partner DataLink by email at EllingtonK1Help@Deloitte.com, by phone at (855) 237-3734 or by mail at Partner DataLink, Ellington Financial LLC, P.O. Box 8447, Hermitage, TN 37076-8447, by May 15, 2015. Alternatively, you may make changes directly on this form and return it by fax to (215) 982-6302.**

NOTE: If you submit corrections to us after that date, you may be required to file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request, with the IRS.

THE SCHEDULE IS NOT PROOF OF OWNERSHIP

TRANSACTION		BROKER OR CERTIFICATE NUMBER	SHARES
DESCRIPTION	DATE		
AC BUY	12/31/2013	BROKER - MAN	10,000
END OF YEAR SHARES			10,000

57624

SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

To Ellington Financial LLC Shareholders:

Enclosed is your Schedule K-1, which reflects the activity from your investment in Ellington Financial LLC (NYSE:EFC). As a shareholder, you are required to report this activity on your federal and state income tax returns. To assist you in reporting this activity, we have prepared this 2014 Tax Package, which contains certain information relating to your ownership of EFC shares.

In the Tax Package, EFC is providing the following documents to you:

- (1) 2014 Tax Reporting Package - Frequently Asked Questions
- (2) 2014 Schedule K-1 (Form 1065)
- (3) 2014 Supplemental Information (contains details about the amounts reported on Schedule K-1)
- (4) 2014 Ownership Schedule
- (5) 2014 Sales Schedule (if applicable)

Please carefully review the information on your 2014 Ownership Schedule. This schedule contains the history of shares you bought or sold by date and number of shares as reported to EFC by your broker or our transfer agent through December 31, 2014. We rely on purchase and sale information obtained from the brokers and transfer agent to prepare the tax information reported to you. If the information provided by the brokers and transfer agent is incorrect, then the information reported to you, as well as the information reported to the Internal Revenue Service, will also be incorrect. If the information is inaccurate, please contact us as indicated on the 2014 Ownership Schedule to correct such information, and we will issue you a corrected tax package.

This package is intended to be a general guide to reporting your share of our taxable income and any gain or loss from the sale of our shares based on our understanding of existing tax laws and regulations. It is not intended to provide tax advice. Therefore, before you prepare and file your income tax return, you are urged to consult your tax advisor.

If you have any questions concerning your Schedule K-1 or this tax package, please contact Partner DataLink at (855)-237-3734 during the hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, Central Time, or visit our website at www.PartnerDataLink.com/Ellington.

Ellington Financial LLC

CIRCULAR 230 DISCLOSURE

THE FOLLOWING NOTICE IS BASED ON U.S. TREASURY REGULATIONS GOVERNING PRACTICE BEFORE THE U.S. INTERNAL REVENUE SERVICE:

EFC does not provide advice on tax matters to its shareholders. The information herein is intended as a general guide to reporting taxable income and gain and does not constitute tax advice. Shareholders are strongly urged to consult with their own tax advisors with regard to the U.S. federal income tax consequences of holding our shares and the related tax reporting requirements. This information is not intended to, and cannot, be used by any taxpayer to avoid penalties that may be imposed under U.S. federal income tax law.

2014 Income Tax Reporting Package

Frequently Asked Questions

INTRODUCTION

Ellington Financial LLC (EFC) is a publicly traded limited liability company which is not subject to federal or state income tax. Instead, shareholders are required to report their allocable share of EFC's items of taxable income, gain, deduction or loss on their individual income tax returns as though each shareholder, who is treated as a partner for tax purposes, had incurred such items directly.

The enclosed tax package consists of your IRS Schedule K-1 (Form 1065), Supplemental Information Schedule, Ownership Schedule and Sales Schedule for EFC's tax year ending December 31, 2014. Please read the Partner's IRS Instruction Booklet and Ownership Schedule carefully before filing your 2014 Federal Income Tax Return. (Please read the Sales Schedule if you disposed of shares in 2014).

Individuals should proceed directly to the Ownership Schedule and confirm the accuracy of their ownership information. Please report any errors to EFC Partner DataLink at the address, phone number or website listed in the Ownership Schedule Summary.

Next, individuals should review their Federal Schedule K-1 and Supplemental Information Schedule. If any lines of the 2014 Schedule K-1 or the Supplemental Information Schedule show an amount, then you should report the amount on the applicable line's corresponding Form or Schedule that you will attach to your Form 1040.

Finally, if you disposed of your shares prior to January 1, 2015, you should utilize the Sales Schedule and applicable summary to determine your taxable gain or loss on share dispositions. Please contact your tax advisor if you have any questions regarding the applicable tax treatment of any item on the enclosed schedules. Questions relating specifically to the Schedule K-1 Information should be directed to: **EFC Partner DataLink at (855) 237-3734**

IMPORTANT: The amount of your taxable income will not correspond to the amount of cash distributed to you during the year.

This Individualized Income Tax Reporting Package is being provided to Registered Owners, (i.e., shareholders who have received a numbered certificate of ownership representing their shares) and to Beneficial Owners (i.e., shareholders whose shares are held in a brokerage or other nominee account) whose ownership information was provided to EFC by their brokers or nominees.

Q. Do I report any cash I received as my taxable income?

A. No. You should report the income items shown on your Schedule K-1 provided to you by EFC.

Q. Is the amount of cash I received equal to the amount I have to report on my individual income tax return?

A. No. The cash payments you received are treated as partnership distributions (nontaxable reductions to your tax basis) for tax purposes. The amount you are required to include in your individual income tax return is your share of EFC's income and related items, allocated based on the number of shares you owned during 2014, and is reported on your Schedule K-1. The amount of your taxable income will not correspond to the amount of cash distributed to you during the year, if any.

Q. What is a Schedule K-1?

A. EFC is a publicly traded limited liability company taxed as a

partnership. A partner's share of partnership income and expenses are reported on Schedule K-1 and flow through to EFC's shareholders to be reported on their individual tax returns. EFC is required to file a Form 1065 with the IRS which includes a Schedule K-1 for each shareholder reporting their respective tax information.

Q. Why am I receiving a Schedule K-1 rather than a Form 1099-DIV?

A. Forms 1099-DIV are used by corporations to report dividends paid to their shareholders. EFC is taxed as a partnership, not as a corporation. Schedules K-1 are used by partnerships to report taxable income, gain, deduction or loss to their partners. EFC shareholders are treated as partners for tax purposes, and receive Schedules K-1.

Q. How is my basis affected by cash distributions and partnership net income?

A. The cash distributions you receive decrease your basis in EFC. Your basis is increased by your share of EFC's taxable income or decreased by your share of EFC's taxable loss allocated to you on your Schedule K-1.

Q. Why do you report an Unrelated Business Taxable Income (UBTI) percentage?

A. UBTI is a tax-exempt organization's (including IRA's, Keogh and other qualified retirement plans) distributive share of our gross income and allowable deductions which is considered to be unrelated to the regular activities of the tax-exempt organization, and is generally taxable to those organizations. Tax-exempt organizations subject to this tax should multiply the appropriate K-1 income and expense items by the appropriate UBTI percentage in order to compute their share of 2014 UBTI income earned by EFC. Such income is includable in the organization's taxable income, but may be offset by a \$1,000 deduction.

Q. What is income from Section 475(f)?

A. EFC has made an election to have the "mark-to-market" rules apply to its securities trading under Section 475(f). Income from such securities trading is treated as ordinary income instead of capital gain, all gains and losses pursuant to this election have been included on Schedule K-1, Box 11, Code F. Not all of EFC's securities qualify for the election. Income from those securities may generate capital gains and losses. Such capital gains are included on Schedule K-1, boxes 8 and 9.

Q. What should I do if the information in my tax package is incorrect?

A. You may make any corrections directly onto the Ownership Schedule and return it to EFC by May 15, 2015 at the address given in the instructions. You may also call (855) 237-3734 or fax corrections to (215) 982-6302. EFC will use the information on the corrected Ownership Schedule to update its records and will send you corrected tax information.

Q. What is EFC's tax year and how does that affect my share of partnership income?

A. EFC is on a December 31 calendar year end for income tax purposes. Therefore, the enclosed tax information should be reported in your 2014 income tax return. If you are a fiscal year taxpayer, the tax information items should be reported in your tax return for your fiscal year which includes December 31, 2014.

Schedule K-1
(Form 1065)

Department of the Treasury
Internal Revenue Service

For calendar year 2014, or tax
year beginning _____, 2014
ending _____, 20____

2014

☐ Final K-1

☐ Amended K-1

651113
OMB No. 1545-0123

Partner's Share of Income, Deductions,
Credits, etc.

► See back of form and separate instructions.

Part I Information About the Partnership

A Partnership's employer identification number
26-0489289

B Partnership's name, address, city, state, and ZIP code
ELLINGTON FINANCIAL LLC
53 FOREST AVE
OLD GREENWICH, CT 06870

C IRS Center where partnership filed return
OGDEN

D ☒ Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

E Partner's identifying number
APPLD FOR

F Partner's name, address, city, state, and ZIP code
SAMPLE PARTNER A
53 FOREST AVE
OLD GREENWICH, CT 06870

G ☐ General partner or LLC member-manager ☒ Limited partner or other LLC member

H ☒ Domestic partner ☐ Foreign partner

I1 What type of entity is this partner? INDIVIDUAL

I2 If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here ☐

J Partner's share of profit, loss, and capital (see instructions):

	Beginning	Ending
Profit	.038701 %	.029517 %
Loss	.038701 %	.029517 %
Capital	.038701 %	.029517 %

K Partner's share of liabilities at year end:

Nonrecourse	\$	-
Qualified nonrecourse financing	\$	
Recourse	\$	

L Partner's capital account analysis:

Beginning capital account	\$	200,000
Capital contributed during the year	\$	-
Current year increase (decrease)	\$	23,059
Withdrawals & distributions	\$ (30,800)
Ending capital account	\$	192,259

☒ Tax basis ☐ GAAP ☐ Section 704(b) book
☐ Other (explain)

M Did the partner contribute property with a built-in gain or loss?

☐ Yes ☒ No
If "Yes," attach statement (see instructions)

Part III Partner's Share of Current Year Income,
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	15	Credits
	29,180		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)	16	Foreign transactions
4	Guaranteed payments		
5	Interest income		
	660		
6a	Ordinary dividends		
6b	Qualified dividends		
7	Royalties		
8	Net short-term capital gain (loss)		
	3,127		
9a	Net long-term capital gain (loss)	17	Alternative minimum tax (AMT) items
	(25)		
9b	Collectibles (28%) gain (loss)		
9c	Unrecaptured section 1250 gain		
10	Net section 1231 gain (loss)	18	Tax-exempt income and nondeductible expenses
11	Other income (loss)		
F*	(5,381)		
		19	Distributions
12	Section 179 deduction	A	30,800
13	Other deductions		
H	4,263		
K*	239	A	660
		B	239
14	Self-employment earnings (loss)	V*	STMT
		Y*	STMT

*See attached statement for additional information.

For IRS Use Only

This list identifies the codes used on Schedule K-1 for all partners and provides summarized reporting information for partners who file Form 1040. For detailed reporting and filing information, see the separate Partner's Instructions for Schedule K-1 and the instructions for your income tax return.

1. Ordinary business income (loss). Determine whether the income (loss) is passive or nonpassive and enter on your return as follows.

	<i>Report on</i>
Passive loss	See the Partner's Instructions
Passive income	Schedule E, line 28, column (g)
Nonpassive loss	Schedule E, line 28, column (h)
Nonpassive income	Schedule E, line 28, column (j)

2. Net rental real estate income (loss)

See the Partner's Instructions

3. Other net rental income (loss)

See the Partner's Instructions

Net income	Schedule E, line 28, column (g)
Net loss	See the Partner's Instructions

4. Guaranteed payments

Schedule E, line 28, column (j)

5. Interest income

Form 1040, line 8a

6a. Ordinary dividends

Form 1040, line 9a

6b. Qualified dividends

Form 1040, line 9b

7. Royalties

Schedule E, line 4

8. Net short-term capital gain (loss)

Schedule D, line 5

9a. Net long-term capital gain (loss)

Schedule D, line 12

9b. Collectibles (28%) gain (loss)

28% Rate Gain Worksheet, line 4
(Schedule D instructions)

9c. Unrecaptured section 1250 gain

See the Partner's Instructions

10. Net section 1231 gain (loss)

See the Partner's Instructions

11. Other income (loss)

Code

A Other portfolio income (loss)	See the Partner's Instructions
B Involuntary conversions	See the Partner's Instructions
C Sec. 1256 contracts & straddles	Form 6781, line 1
D Mining exploration costs recapture	See Pub. 535
E Cancellation of debt	Form 1040, line 21 or Form 982
F Other income (loss)	See the Partner's Instructions

12. Section 179 deduction

See the Partner's Instructions

13. Other deductions

A Cash contributions (50%)	See the Partner's Instructions
B Cash contributions (30%)	
C Noncash contributions (50%)	
D Noncash contributions (30%)	
E Capital gain property to a 50% organization (30%)	
F Capital gain property (20%)	Form 4952, line 1
G Contributions (100%)	
H Investment interest expense	
I Deductions—royalty income	
J Section 59(e)(2) expenditures	
K Deductions—portfolio (2% floor)	See the Partner's Instructions
L Deductions—portfolio (other)	Schedule A, line 23
M Amounts paid for medical insurance	Schedule A, line 1 or Form 1040, line 29
N Educational assistance benefits	See the Partner's Instructions
O Dependent care benefits	Form 2441, line 12
P Preproductive period expenses	See the Partner's Instructions
Q Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions
R Pensions and IRAs	See the Partner's Instructions
S Reforestation expense deduction	See the Partner's Instructions
T Domestic production activities information	See Form 8903 instructions
U Qualified production activities income	Form 8903, line 7b
V Employer's Form W-2 wages	Form 8903, line 17
W Other deductions	See the Partner's Instructions

14. Self-employment earnings (loss)

Note. If you have a section 179 deduction or any partner-level deductions, see the Partner's Instructions before completing Schedule SE.

A Net earnings (loss) from self-employment	Schedule SE, Section A or B
B Gross farming or fishing income	See the Partner's Instructions
C Gross non-farm income	See the Partner's Instructions

15. Credits

A Low-income housing credit (section 42(j)(5)) from pre-2008 buildings	See the Partner's Instructions
B Low-income housing credit (other) from pre-2008 buildings	
C Low-income housing credit (section 42(j)(5)) from post-2007 buildings	
D Low-income housing credit (other) from post-2007 buildings	
E Qualified rehabilitation expenditures (rental real estate)	
F Other rental real estate credits	Form 1040, line 73; check box a
G Other rental credits	
H Undistributed capital gains credit	
I Biofuel producer credit	
J Work opportunity credit	
K Disabled access credit	See the Partner's Instructions

Code	Report on
L Empowerment zone employment credit	See the Partner's Instructions
M Credit for increasing research activities	
N Credit for employer social security and Medicare taxes	
O Backup withholding	
P Other credits	
Foreign transactions	
A Name of country or U.S. possession	Form 1116, Part I
B Gross income from all sources	
C Gross income sourced at partner level	
<i>Foreign gross income sourced at partnership level</i>	
D Passive category	Form 1116, Part I
E General category	
F Other	
<i>Deductions allocated and apportioned at partner level</i>	
G Interest expense	Form 1116, Part I
H Other	Form 1116, Part I
<i>Deductions allocated and apportioned at partnership level to foreign source income</i>	
I Passive category	Form 1116, Part I
J General category	
K Other	
<i>Other information</i>	
L Total foreign taxes paid	Form 1116, Part II
M Total foreign taxes accrued	Form 1116, Part II
N Reduction in taxes available for credit	Form 1116, line 12
O Foreign trading gross receipts	Form 8873
P Extraterritorial income exclusion	Form 8873
Q Other foreign transactions	See the Partner's Instructions
Alternative minimum tax (AMT) items	
A Post-1986 depreciation adjustment	See the Partner's Instructions and the Instructions for Form 6251
B Adjusted gain or loss	
C Depletion (other than oil & gas)	
D Oil, gas, & geothermal—gross income	
E Oil, gas, & geothermal—deductions	
F Other AMT items	
Tax-exempt income and nondeductible expenses	
A Tax-exempt interest income	Form 1040, line 8b
B Other tax-exempt income	See the Partner's Instructions
C Nondeductible expenses	See the Partner's Instructions
Distributions	
A Cash and marketable securities	See the Partner's Instructions
B Distribution subject to section 737	
C Other property	
Other information	
A Investment income	Form 4952, line 4a
B Investment expenses	Form 4952, line 5
C Fuel tax credit information	Form 4136
D Qualified rehabilitation expenditures (other than rental real estate)	See the Partner's Instructions
E Basis of energy property	See the Partner's Instructions
F Recapture of low-income housing credit (section 42(j)(5))	Form 8611, line 8
G Recapture of low-income housing credit (other)	Form 8611, line 8
H Recapture of investment credit	See Form 4255
I Recapture of other credits	See the Partner's Instructions
J Look-back interest—completed long-term contracts	See Form 8697
K Look-back interest—income forecast method	See Form 8866
L Dispositions of property with section 179 deductions	See the Partner's Instructions
M Recapture of section 179 deduction	
N Interest expense for corporate partners	
O Section 453(l)(3) information	
P Section 453A(c) information	
Q Section 1260(b) information	
R Interest allocable to production expenditures	
S CCF nonqualified withdrawals	
T Depletion information—oil and gas	
U Reserved	
V Unrelated business taxable income	
W Precontribution gain (loss)	
X Section 108(i) information	
Y Net investment income	
Z Other information	