

Ellington Financial LLC
Form 10-Q
May 08, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2013

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

For the transition period from _____ to _____
Commission file number 001-34569

Ellington Financial LLC
(Exact Name of Registrant as Specified in Its Charter)

Delaware 26-0489289
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

53 Forest Avenue, Old Greenwich, Connecticut 06870
(Address of Principal Executive Office) (Zip Code)
(203) 698-1200
(Registrant's Telephone Number, Including Area Code)

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

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

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

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer Smaller Reporting Company

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

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

Class Outstanding at May 3, 2013
20,412,011

Common Shares Representing Limited Liability
Company Interests, no par value

Table of Contents

ELLINGTON FINANCIAL LLC
INDEX

<u>Part I. Financial Information</u>	3
<u>Item 1. Consolidated Financial Statements (unaudited)</u>	3
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	44
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	62
<u>Item 4. Controls and Procedures</u>	64
<u>Part II. Other Information</u>	65
<u>Item 1. Legal Proceedings</u>	65
<u>Item 1A. Risk Factors</u>	65
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	65
<u>Item 6. Exhibits</u>	66

Table of Contents

PART 1. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements (unaudited)

ELLINGTON FINANCIAL LLC

CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES, AND EQUITY

(UNAUDITED)

	March 31, 2013	December 31, 2012
	Expressed in U.S. Dollars	
(In thousands except share amounts)		
ASSETS		
Cash and cash equivalents	\$64,753	\$59,084
Investments, financial derivatives, and repurchase agreements:		
Investments at fair value (Cost – \$1,465,788 and \$1,328,153)	1,535,924	1,375,116
Financial derivatives – assets at fair value (Net cost – \$56,769 and \$65,860)	36,250	48,504
Repurchase agreements (Cost – \$42,614 and \$13,650)	42,614	13,650
Total investments, financial derivatives, and repurchase agreements	1,614,788	1,437,270
Deposits with dealers held as collateral	21,977	22,744
Receivable for securities sold	609,239	626,919
Interest and principal receivable	5,507	5,719
Other assets	410	379
Total Assets	\$2,316,674	\$2,152,115
LIABILITIES		
Investments and financial derivatives:		
Investments sold short at fair value (Proceeds – \$648,101 and \$621,048)	\$649,756	\$622,301
Financial derivatives – liabilities at fair value (Net proceeds – \$14,358 and \$13,171)	18,490	15,212
Total investments and financial derivatives	668,246	637,513
Reverse repurchase agreements	965,272	905,718
Due to brokers on margin accounts	21,599	30,954
Payable for securities purchased	132,750	57,333
Securitized debt (Proceeds – \$1,250 and \$1,311)	1,205	1,335
Accounts payable and accrued expenses	1,929	1,995
Base management fee payable	1,967	1,934
Incentive fee payable	2,055	7,343
Other payables	—	903
Interest and dividends payable	1,049	732
Total Liabilities	1,796,072	1,645,760
EQUITY	520,602	506,355
TOTAL LIABILITIES AND EQUITY	\$2,316,674	\$2,152,115
ANALYSIS OF EQUITY:		
Common shares, no par value, 100,000,000 shares authorized; (20,403,723 and 20,370,469 shares issued and outstanding)	\$506,825	\$497,373
Additional paid-in capital – LTIP units	9,023	8,982
Total Shareholders' Equity	515,848	506,355
Non-controlling interest	4,754	—
Total Equity	\$520,602	\$506,355
PER SHARE INFORMATION:		
Common shares	\$25.28	\$24.86
See Notes to the Consolidated Financial Statements		

Table of Contents

ELLINGTON FINANCIAL LLC
 CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS
 AT MARCH 31, 2013
 (UNAUDITED)

Current Principal/ Notional Value	Description	Rate	Maturity	Fair Value
(In thousands)				Expressed in U.S. Dollars
North America (p)				
Long Investments (295.03%) (a) (n)				
Mortgage-Backed Securities (290.93%)				
Agency Securities (182.67%) (b)				
Fixed Rate Agency Securities (177.72%)				
Principal and Interest - Fixed Rate Agency Securities (159.48%)				
\$49,189	Federal National Mortgage Association Pool	3.50%	12/42	\$ 52,092
45,060	Federal Home Loan Mortgage Corporation Pool	3.50%	11/42	47,650
39,792	Federal National Mortgage Association Pool	3.50%	1/43	42,279
20,398	Federal National Mortgage Association Pool	4.50%	12/41	22,178
17,762	Federal National Mortgage Association Pool	4.50%	9/41	19,313
17,949	Federal National Mortgage Association Pool	3.50%	8/42	19,076
17,069	Federal National Mortgage Association Pool	5.00%	8/41	18,599
16,771	Federal National Mortgage Association Pool	4.50%	10/41	18,235
16,051	Federal Home Loan Mortgage Corporation Pool	5.00%	7/41	17,470
14,612	Federal National Mortgage Association Pool	5.00%	3/41	16,050
14,033	Federal National Mortgage Association Pool	3.50%	4/43	14,820
13,478	Federal National Mortgage Association Pool	4.00%	8/42	14,499
13,431	Federal National Mortgage Association Pool			