

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See statement

Blank lines for listing Internal Revenue Code sections.

18 Can any resulting loss be recognized? ▶ See statement

Blank lines for providing information regarding loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See statement

Blank lines for providing other necessary information.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶  Date ▶ 1/10/24

Print your name ▶ JA Henrich Title ▶ CFO

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.

Ellington Financial Inc.

(on behalf of Arlington Asset Investment Corp.)

Report of Organizational Actions Affecting Basis of Shares

Attachment to Form 8937

The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the “Code”), and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations related to the effects of the Merger (as defined below) on securities. The information contained herein does not constitute tax advice and does not purport to be complete or describe the tax consequences that may apply to particular persons or categories of persons. Former holders of Arlington Asset Investment Corp. stock are encouraged to consult their independent tax advisors regarding the particular consequences of the Merger to them (including the applicability and effect of all federal, state, local and non-U.S. laws).

Part I, Lines 1, 2:

Arlington Asset Investment Corp.	54-1873198
Ellington Financial Inc.	26-0489289

Part I, Lines 9, 12:

Arlington Asset Investment Corp.

Class A Common Stock	AAIC
7.00% Series B Cumulative Perpetual Redeemable Preferred Stock	AAIC.P.B.
8.250% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	AAIC.P.C.

Ellington Financial Inc.

Common Stock	EFC
7.00% Series D Cumulative Perpetual Redeemable Preferred Stock	EFC PRD
8.250% Series E Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	EFC PRE

Part II, Line 14:

On December 14, 2023, pursuant to an Agreement and Plan of Merger (the “Merger Agreement”) among Ellington Financial Inc. (“Ellington”), Arlington Asset Investment Corp. (“Arlington”), EF Merger Sub Inc. (“Merger Sub”), a wholly owned subsidiary of Ellington, and, solely for the limited purposes set forth therein, Ellington Management Financial LLC (“Manager”), and dated as of May 29, 2023, Arlington merged with and into Merger Sub, with Merger Sub surviving as a wholly owned subsidiary of Ellington (the “Merger”).

Under the terms of the Merger Agreement, in connection with the Merger:

- Each outstanding share of Arlington Class A Common Stock (“Arlington Common Stock”) issued and outstanding immediately prior to the effective time of the Merger (the “Effective Time”) was converted into the right to receive 0.3619 shares of Ellington Common Stock, plus \$0.09 in cash (such cash, the “Per Share Cash Consideration”). No fractional shares of Ellington Common Stock were issued in connection with the Merger. Instead, holders of Arlington Common Stock received cash in lieu of fractional shares of Ellington Common Stock that would have been received as a result of the Merger as described in Part II, Line 15 (see below).
- Each outstanding share of Arlington 7.00% Series B Cumulative Perpetual Redeemable Preferred Stock (“Arlington Series B Preferred Stock”) issued and outstanding immediately prior to the Effective Time was converted into the right to receive one newly issued share of Ellington 7.00% Series D Cumulative Perpetual Redeemable Preferred Stock (“Ellington Series D Preferred Stock”).
- Each outstanding share of Arlington 8.250% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (“Arlington Series C Preferred Stock” and together with Arlington Series B Preferred Stock, “Arlington Preferred Stock”) issued and outstanding immediately prior to the Effective Time was converted into the right to receive one newly issued share of Ellington 8.250% Series E Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock (“Ellington Series E Preferred Stock” and together with Ellington Series D Preferred Stock, “Ellington Preferred Stock”).

Part II, Line 15:

In general, the Merger is intended to qualify as a reorganization under section 368(a)(1)(A) of the Code by reason of section 368(a)(2)(D) of the Code, and the remainder of this attachment assumes such qualification. There is limited authority addressing the tax consequences of the receipt of Merger consideration from a party other than the acquiror, such as the Per Share Cash Consideration paid by Manager. The parties intend to take the position that the Per Share Cash Consideration received by holders of Arlington Common Stock is treated as additional Merger consideration. The parties have not sought, and do not intend to seek, any ruling from the Internal Revenue Service (“IRS”) regarding any matters related to the Merger. Accordingly, there can be no assurance that the IRS will not take a contrary position to the conclusions set forth herein or that a court will not agree with a contrary position of the IRS.

Holders of Arlington Common Stock who are US persons (“US holders”) will generally recognize gain (but not loss) in an amount equal to the lesser of: (i) the amount of cash received pursuant to the Merger described on Part II, Line 14 (excluding cash received in lieu of fractional shares of Arlington Common Stock) and (ii) the amount of gain realized (i.e., the excess of the sum of the amount of cash, other than cash received in lieu of a fractional share of Arlington Common Stock, and the fair market value of the Arlington Common Stock received pursuant to the Merger over such holder’s adjusted US federal income tax basis in its shares of Arlington Common Stock surrendered). A holder of Arlington Common Stock generally will recognize gain or loss with respect to any cash received in lieu of a fractional share of Arlington Common Stock in the Merger measured by the difference, if

any, between the amount of cash received for such fractional share and the holder's tax basis in such fractional share.

US holders of Arlington Series B Preferred Stock or Arlington Series C Preferred Stock will not recognize gain or loss for US federal income tax purposes upon the receipt of Ellington Series D Preferred Stock or Ellington Series E Preferred Stock, as relevant, in connection with the Merger.

A US holder of Arlington Common Stock will have an aggregate tax basis in the Ellington Common Stock it receives in the Merger equal to such US holder's aggregate tax basis in its Arlington Common Stock surrendered pursuant to the Merger, reduced by the aggregate Per Share Cash Consideration received by the US holder pursuant to the Merger (excluding any cash received in lieu of a fractional share of Arlington Common Stock) and increased by the amount of gain (including any portion of the gain that is treated as a dividend but excluding any gain or loss resulting from the deemed redemption of fractional shares), if any, recognized by the US holder on the exchange.

A US holder of Arlington Preferred Stock will have an aggregate tax basis in the Ellington Preferred Stock it receives in the Merger equal to such US holder's aggregate tax basis in its Arlington Preferred Stock surrendered pursuant to the Merger.

If a US holder acquired any of its Arlington Common Stock or Arlington Preferred Stock at different prices and/or at different times, U.S. Department of the Treasury regulations ("Treasury Regulations") provide guidance on how such holder may allocate its tax basis to shares of Ellington Common Stock or Ellington Preferred Stock received in exchange therefor in the Merger. US holders that hold multiple blocks of Arlington Common Stock or Arlington Preferred Stock should consult their tax advisors regarding the proper allocation of their basis among shares of Ellington Common Stock or Ellington Preferred Stock, as relevant, received in the Merger under these Treasury Regulations.

The holding period of the shares of Ellington Common Stock or Ellington Preferred Stock received by a US holder in connection with the Merger will include the holding period of the Arlington Common Stock or Arlington Preferred Stock, as relevant, surrendered in connection with the Merger.

Part II, Line 16:

There was no change in basis of the shares exchanged, excepted as noted on Part II, Line 15 (see above) with respect to the basis reduced by cash received by a US holder of Arlington Common Stock pursuant to the Merger (excluding any cash received in lieu of a fractional share of Ellington Common Stock) and increased by the amount of gain (including any portion of the gain that is treated as a dividend but excluding any gain or loss resulting from the deemed redemption of fractional shares), if any, recognized by such US holder on the exchange.

Although US federal income tax rules do not specify how to determine fair market value of any shares of Ellington Common Stock received, one possible approach is to utilize the New York Stock Exchange market price at the opening of trading for Ellington Common Stock on the day of the closing of the Merger on December 14, 2023, as an indication of fair market value. Using this

approach, the fair market value of each share of Ellington Common Stock received in the Merger was \$13.10. Other approaches to determine fair market value may also be possible and holders of Arlington Common Stock should consult their tax advisors regarding the appropriate method for determining fair market value.

Part II, Line 17:

Sections 354(a), 356(a), 358(a)-(b), 368(a), 1001, 1221 and 1223.

Part II, Line 18:

A US holder of Arlington Common Stock may recognize loss with respect to cash received in lieu of a fractional share of Ellington Common Stock, in connection with the Merger described on Part II, Line 14 (above). Such US holder generally will recognize capital loss with respect to such cash received, measured by the difference, if any, between the amount of cash received for such fractional share and the US holder's tax basis in such fractional share. Such capital loss will be long-term capital loss if the US holder's holding period in respect of such fractional share is greater than one year. The deductibility of capital losses is subject to limitations.

Part II, Line 19:

The transaction took place on December 14, 2023. The reportable tax year is the tax year that includes December 14, 2023.

The US federal income tax consequences discussed in this Form 8937 are for informational purposes only and do not constitute tax advice. Former holders of Arlington Common Stock or Arlington Preferred Stock are urged to consult their tax advisors with respect to their respective tax consequences of the Merger.

For a more detailed description about the tax consequences of the Merger, please see the Form S-4 filed with the Securities and Exchange Commission on July 18, 2023, which is posted on the Ellington website under Investor Relations.