UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): **July 24, 2023**

ELLINGTON FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-34569**	**26-0489289**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

53 Forest Avenue
Old Greenwich, CT 06870
(Address and zip code of principal executive offices)

Registrant's telephone number, including area code: **(203) 698-1200**

Not Applicable
(Former Name or Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☒ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, $0.001 par value per share	EFC	The New York Stock Exchange
6.750% Series A Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock	EFC PR A	The New York Stock Exchange
6.250% Series B Fixed-Rate Reset Cumulative Redeemable Preferred Stock	EFC PR B	The New York Stock Exchange
8.625% Series C Fixed-Rate Reset Cumulative Redeemable Preferred Stock	EFC PR C	The New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02. Results of Operations and Financial Condition.

On July 24, 2023, Ellington Financial Inc. (the “Company”) issued a press release (the “Press Release”) announcing, among other things, its preliminary results of operations for the quarter ended June 30, 2023. A copy of the Press Release is furnished herewith as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 7.01. Regulation FD Disclosure.

The information contained in the Press Release is being furnished by the Company pursuant to Item 7.01 of Form 8-K in satisfaction of the public disclosure requirements of Regulation FD.

The Press Release also announces the Company’s estimated book value per share of common stock as of June 30, 2023. A copy of the Press Release is furnished herewith as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

Item 8.01. Other Events.

Preliminary Second Quarter Results

The information set forth above in Item 2.02 of this Current Report on Form 8-K is incorporated herein by reference.

Unaudited Pro Forma Financial Information

On May 30, 2023, the Company filed with the U.S. Securities and Exchange Commission (the "SEC") a Current Report on Form 8-K to report, among other things, the entry into an Agreement and Plan of Merger (the "Merger Agreement") by and among the Company, Arlington Asset Investment Corp. ("Arlington"), EF Merger Sub Inc. ("Merger Sub"), and solely for the limited purposes set forth in the Merger Agreement, Ellington Financial Management LLC, providing for the merger of Arlington with and into Merger Sub, with Merger Sub surviving the merger as a wholly-owned subsidiary of the Company (the “Arlington Merger”).

On July 3, 2023, the Company filed with the SEC a Current Report on Form 8-K to report, among other things, the entry into an Agreement and Plan of Merger by and among the Company, Great Ajax Corp. ("Great Ajax"), and EF Acquisition I LLC ("Acquisition Sub") providing for the merger of Great Ajax with and into Acquisition Sub, with Acquisition Sub surviving the merger as a wholly-owned subsidiary of the Company (the “Great Ajax Merger,” and together with the Arlington Merger, the “Subject Mergers”). Neither Subject Merger is conditioned on the occurrence of the other and the consummation of each is independent.

The Company is filing this Current Report on Form 8-K, among other things, to provide certain unaudited pro forma condensed combined financial information reflecting the combined historical consolidated financial position and results of operations of the Company, Arlington and Great Ajax (the "Unaudited Pro Forma Financial Statements"). The Unaudited Pro Forma Financial Statements are based upon the historical financial statements of the Company, Arlington, and Great Ajax, after giving effect to the closing of both of the Subject Mergers, which are each expected to occur in the fourth quarter of 2023, including associated transaction costs and various other adjustments that are described in the footnotes following the Unaudited Pro Forma Financial Statements, and are intended to reflect the impact of the Subject Mergers. The Unaudited Pro Forma Financial Statements are not necessarily indicative of the actual results that would have been achieved had the Subject Mergers been completed as of the dates indicated or that may be achieved in the future.

The Unaudited Pro Forma Financial Statements are attached as Exhibit 99.2 to this Current Report on Form 8-K and incorporated herein by reference.

Risk Factors

The Company is also filing this Current Report on Form 8-K to provide certain risk factors associated with the Subject Mergers, which are attached as Exhibit 99.3 to this Current Report on Form 8-K and incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits

(b) Pro Forma Financial Information.

The Unaudited Pro Forma Financial Statements reflect the combined historical consolidated financial position and results of operations of the Company, Arlington and Great Ajax and include a pro forma condensed combined balance sheet as of March 31, 2023, a pro forma condensed combined statement of operations for the three-month period ended March 31, 2023, and a pro forma condensed combined statement of operations for the year ended December 31, 2022. The Unaudited Pro Forma Financial Statements are attached as Exhibit 99.2 to this Current Report on Form 8-K and incorporated herein by reference.

In preparing the Unaudited Pro Forma Financial Statements that were included in the EFC-Arlington Registration Statement, the Company determined that the appropriate presentation in such Unaudited Pro Forma Financial Statements would be to account for each Subject Merger as a business combination using the acquisition method of accounting in accordance with ASC 805, "*Business Combinations*" with the Company being treated as the acquirer of both Arlington and Great Ajax for accounting purposes. Under the acquisition method of accounting, assets acquired and liabilities assumed, are recorded by the acquirer based on their estimated fair values. In cases where the purchase price exceeds the fair value of the net identifiable assets acquired, the acquirer records goodwill. Conversely, in cases where the fair value of the net identifiable assets acquired exceeds the purchase price, the acquirer records a bargain purchase gain.

(d) Exhibits.

Exhibit Number	**Description**
99.1	Press Release dated July 24, 2023
99.2	Unaudited Pro Forma Financial Statements
99.3	Risk Factors
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

ADDITIONAL INFORMATION ABOUT THE ARLINGTON MERGER

In connection with the proposed Arlington Merger, EFC has filed a registration statement on Form S-4 (File No. 333-273309) (the "EFC-Arlington Registration Statement") with the SEC. The EFC-Arlington Registration Statement includes a proxy statement of Arlington and a prospectus of EFC. This communication is not a substitute for the EFC-Arlington Registration Statement, the proxy statement/prospectus or any other documents that will be made available to the shareholders of Arlington. In connection with the proposed Arlington Merger, EFC and Arlington also plan to file relevant materials with the SEC. SHAREHOLDERS OF ARLINGTON ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE RELEVANT PROXY STATEMENT/PROSPECTUS, WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED ARLINGTON MERGER. A definitive proxy statement/prospectus will be sent to Arlington's shareholders. Investors may obtain a copy of the proxy statement/prospectus (if and when it becomes available) and other relevant documents filed by EFC and Arlington free of charge at the SEC's website, www.sec.gov. Copies of the documents filed by EFC with the SEC will be available free of charge on EFC's website at www.ellingtonfinancial.com or by contacting EFC's Investor Relations at (203) 409-3575, as they become available. Copies of the documents filed by Arlington with the SEC will be available free of charge on Arlington's website at www.arlingtonasset.com or by contacting Arlington's Investor Relations at (703) 373-0200.

PARTICIPANTS IN SOLICITATION RELATING TO THE ARLINGTON MERGER

EFC and Arlington and their respective directors and executive officers and certain other affiliates of EFC and Arlington may be deemed to be participants in the solicitation of proxies from Arlington shareholders in connection with the proposed Arlington Merger.

Information about the directors and executive officers of Arlington is available in its Form 10-K, which was filed with the SEC on March 31, 2023, and its Form 10-K/A, which was filed with the SEC on May 1, 2023. Information about the directors and executive officers of EFC is available in the proxy statement for its 2023 annual meeting of stockholders, which was filed with the SEC on April 6, 2023. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials filed with the SEC regarding the proposed Arlington Merger when they become available. Shareholders of Arlington should read the proxy statement/prospectus carefully when it becomes available before making any voting or investment decisions. Investors may obtain free copies of these documents from EFC or Arlington using the sources indicated above.

ADDITIONAL INFORMATION ABOUT THE GREAT AJAX MERGER

In connection with the proposed Great Ajax Merger, EFC intends to file a registration statement on Form S-4 with the SEC that includes a Great Ajax proxy statement and an EFC prospectus. This communication is not a substitute for the registration statement, the proxy statement/prospectus or any other documents that will be made available to Great Ajax stockholders. In connection with the proposed Great Ajax Merger, EFC and Great Ajax also plan to file relevant materials with the SEC. GREAT AJAX STOCKHOLDERS ARE URGED TO READ ALL RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE RELEVANT PROXY STATEMENT/PROSPECTUS, WHEN THEY BECOME AVAILABLE, BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED GREAT AJAX MERGER. A definitive proxy statement/prospectus will be sent to Great Ajax's stockholders. Investors may obtain a copy of the proxy statement/prospectus (when it becomes available) and other relevant documents filed by EFC and Great Ajax free of charge at the SEC's website, www.sec.gov. Copies of the documents filed by EFC with the SEC will be available free of charge on EFC's website at www.ellingtonfinancial.com or by contacting EFC's Investor Relations at (203) 409-3575. Copies of the documents filed by Great Ajax with the SEC will be available free of charge on Great Ajax's website at www.greatajax.com or by contacting Great Ajax at (503) 505-5670.

PARTICIPANTS IN SOLICITATION RELATING TO THE GREAT AJAX MERGER

EFC and Great Ajax and their respective directors and executive officers and certain other affiliates of EFC and Great Ajax may be deemed to be participants in the solicitation of proxies from Great Ajax stockholders in connection with the proposed Great Ajax Merger.

Information about the directors and executive officers of Great Ajax is available in the proxy statement for its 2023 annual meeting of stockholders filed with the SEC on April 21, 2023. Information about the directors and executive officers of EFC is available in the proxy statement for its 2023 annual meeting of stockholders filed with the SEC on April 6, 2023. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials filed with the SEC regarding the proposed Great Ajax Merger when they become available. Great Ajax stockholders should read the proxy statement/prospectus carefully when it becomes available before making any voting or investment decisions. Investors may obtain free copies of these documents from EFC or Great Ajax using the sources indicated above.

NO OFFER OR SOLICITATION

This communication and the information contained herein does not constitute an offer to sell or the solicitation of an offer to buy or sell any securities or a solicitation of a proxy or of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act. This communication may be deemed to be solicitation material in respect of the proposed Arlington Merger and/or the proposed Great Ajax Merger.

Forward-Looking Statements

This Current Report on Form 8-K contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve numerous risks and uncertainties. The Company's actual results may differ from its beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as "believe," "expect," "anticipate," "estimate," "project," "plan," "continue," "intend," "should," "would," "could," "goal," "objective," "will," "may," "seek" or similar expressions or their negative forms, or by references to strategy, plans, or intentions. Examples of forward-looking statements in this Current Report on Form 8-K include statements regarding the Company's preliminary financial results for the quarter ended June 30, 2023, the Company's estimated book value per share of common stock as of June 30, 2023 and the timing of future events. These forward-looking statements are based on the Company's current assumptions, expectations and beliefs and are subject to numerous risks, including, among other things, those set forth under the caption "Risk Factors" in the Company's most recent filings with the SEC, uncertainties, assumptions and changes in circumstances that may cause the Company's actual results, performance or achievements to differ materially from those expressed or implied in any forward-looking statement. The Company cautions investors not to place undue reliance on the forward-looking statements contained in this Current Report on Form 8-K.

Further information on these and other factors that could affect the Company's financial results and the forward-looking statements in this Current Report on Form 8-K is included in the Company's filings with the SEC, including, among others, the Company's Annual Report on Form 10-K for the year ended December 31, 2022 and the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, particularly under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," as applicable.

The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ELLINGTON FINANCIAL INC.

Date:	July 24, 2023	By:	/s/ JR Herlihy
			JR Herlihy Chief Financial Officer

Ellington Financial Reports Preliminary Results for Second Quarter 2023

OLD GREENWICH, Conn., July 24, 2023—Ellington Financial Inc. (NYSE: EFC) (the "Company") today disclosed the following estimated book value per share of common stock as of June 30, 2023, and preliminary results of operations for the quarter ended June 30, 2023:

- ***Estimated book value per share of common stock*** of $14.70 as of June 30, 2023, including the effects of dividends of $0.45 per share of common stock declared during the quarter.
- ***Net income per share of common stock*** is estimated to be $0.04 for the quarter ended June 30, 2023.
- ***Adjusted Distributable Earnings per share of common stock*** is estimated to be in the range of $0.35 to $0.39 for the quarter ended June 30, 2023. The quarter-over-quarter decline in Adjusted Distributable Earnings was due primarily to a quarter-over-quarter decline in Adjusted Distributable Earnings from the Company's Longbridge segment. Adjusted Distributable Earnings is a non-GAAP financial measure. See "*Non-GAAP Financial Measures*" below for an explanation regarding the calculation of Adjusted Distributable Earnings.

The above information is preliminary and subject to completion, including the completion of customary financial statement closing and review procedures for the quarter ended June 30, 2023. As a result, the preliminary results set forth above reflect the Company's preliminary estimate with respect to such information, based on information currently available to management. The Company's actual financial results for the quarter ended June 30, 2023 may differ materially from these preliminary financial results, and may be outside the estimated ranges. Further, these preliminary estimates are not a comprehensive statement or estimate of the Company's financial results for the quarter ended June 30, 2023. These preliminary estimates should not be viewed as a substitute for full interim financial statements prepared in accordance with GAAP and they are not necessarily indicative of the results to be achieved in any future period. Accordingly, you should not place undue reliance on these preliminary estimates.

These preliminary estimates, which are the responsibility of the Company's management, were prepared by the Company's management and are based upon a number of assumptions. Additional items that may require adjustments to these preliminary estimates may be identified and could result in material changes to these preliminary estimates. Preliminary estimates of results are inherently uncertain and the Company undertakes no obligation to update this information. The estimated financial data included in this press release has been prepared by the Company and is the Company's responsibility. PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm, has not audited, reviewed, examined, compiled nor applied agreed-upon procedures with respect to this preliminary financial information and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or provide any other form of assurance with respect thereto.

Non-GAAP Financial Measures

In the "Preliminary Second Quarter Results" section above, the Company presents an estimated range of its Adjusted Distributable Earnings per share of common stock for the quarter ended June 30, 2023. The Company calculates "Adjusted Distributable Earnings" as U.S. GAAP net income as adjusted for: (i) realized and unrealized gain (loss) on securities and loans, REO, mortgage servicing rights, financial derivatives (excluding periodic settlements on interest rate swaps), any borrowings carried at fair value, and foreign currency transactions; (ii) incentive fee to affiliate; (iii) catch-up premium amortization adjustment (as described below); (iv) non-cash equity compensation expense; (v) provision for income taxes; (vi) certain non-capitalized transaction costs; and (vii) other income or loss items that are of a non-recurring nature. For certain investments in unconsolidated entities, the Company includes the relevant components of net operating income in Adjusted Distributable Earnings. The catch-up premium amortization adjustment is a quarterly adjustment to premium amortization triggered by changes in actual and projected prepayments on the Company's Agency RMBS (accompanied by a corresponding offsetting adjustment to realized and unrealized gains and losses). The adjustment is calculated as of the beginning of each quarter based on the Company's then-current assumptions about cashflows and prepayments, and can vary significantly from quarter to quarter. Non-capitalized transaction costs include expenses, generally professional fees, incurred in connection with the acquisition of an investment or issuance of long-term debt. For the contribution to Adjusted Distributable Earnings from the Company's direct subsidiary, Longbridge Financial, LLC ("Longbridge"), the Company adjusts Longbridge's contribution to the Company's net income in a similar manner, but the Company includes in Adjusted Distributable Earnings certain realized and unrealized gains (losses) from Longbridge's origination business.

Adjusted Distributable Earnings is a supplemental non-GAAP financial measure. The Company believes that the presentation of Adjusted Distributable Earnings provides information useful to investors, because the Company: (i) believes that it is a useful indicator of both current and projected long-term financial performance, in that it excludes the impact of certain current-period earnings components that the Company believes are less useful in forecasting long-term performance and dividend-paying ability; (ii) uses it to evaluate the effective net yield provided (I) by the Company's investment portfolio, after the effects of financial leverage, and (II) by Longbridge, to reflect the earnings from Longbridge's reverse mortgage origination and servicing operations; and (iii) believes that presenting Adjusted Distributable Earnings assists investors in measuring and evaluating the Company's operating performance, and comparing the Company's operating performance to that of the

Company's residential mortgage REIT and mortgage originator peers. Please note, however, that: (I) the Company's calculation of Adjusted Distributable Earnings may differ from the calculation of similarly titled non-GAAP financial measures by the Company's peers, with the result that these non-GAAP financial measures might not be directly comparable; and (II) Adjusted Distributable Earnings excludes certain items that may impact the amount of cash that is actually available for distribution.

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

Furthermore, Adjusted Distributable Earnings is different from REIT taxable income. As a result, the determination of whether the Company has met the requirement to distribute at least 90% of the Company's annual REIT taxable income (subject to certain adjustments) to the Company's stockholders, in order to maintain the Company's qualification as a REIT, is not based on whether the Company distributed 90% of its Adjusted Distributable Earnings.

In setting dividends, the Company's board of directors considers earnings, liquidity, financial condition, REIT distribution requirements, and financial covenants, along with other factors that the Company's board of directors may deem relevant from time to time.

The following table reconciles, for the quarter ended June 30, 2023, the Company's estimated range of Adjusted Distributable Earnings per share of common stock to the Company's estimated range of net income per share of common stock, which the Company believes is the most directly comparable U.S. GAAP measure:

	Estimated Lower Bound	Estimated Upper Bound
Net Income (Loss) before dividends on preferred stock	$ 0.13	$ 0.13
Dividends on preferred stock	(0.09)	(0.09)
Net Income (Loss)	**0.04**	**0.04**
Income tax expense (benefit)	—	—
Net Income (Loss) before income tax expense (benefit)	0.04	0.04
Adjustments:		
Realized and unrealized (gains)losses, net(1)	0.09	0.13
Non-capitalized transaction costs and other expense adjustments(2)	0.07	0.09
Adjusted Distributable Earnings from investments in unconsolidated entities and other adjustments(3)	0.12	0.16
Adjusted Distributable Earnings	**$ 0.35**	**$ 0.39**

(1) Includes adjustments for certain realized and unrealized (gains) losses on securities and loans, REO, mortgage servicing rights, financial derivatives, borrowings carried at fair value, and foreign currency transactions.
(2) Includes non-capitalized transaction costs, non-cash equity compensation expense, and expenses related to the agreed upon, but not yet completed, mergers of Arlington Asset Investment Corp. and Great Ajax Corp.
(3) Includes net interest income and operating expenses for certain investments in unconsolidated entities as well as negative (positive) component of interest income represented by catch-up premium amortization adjustment.

Cautionary Statement Regarding Forward-Looking Statements

The Company's preliminary results of operations and estimated book value per share of common stock are subject to change upon completion of the Company's month-end and quarter-end valuation procedures relating to its investment positions, and any such change could be material. There can be no assurance that the Company's actual results of operations for the quarter ended June 30, 2023 falls within the estimated lower bound or estimated upper bound presented herein or that the Company's estimated book value per share of common stock as of June 30, 2023 is indicative of what the Company's results are likely to be for the three- or six-month periods ending June 30, 2023 or in future periods, and the Company undertakes no obligation to update or revise its preliminary results of operations or estimated book value per share of common stock prior to issuance of financial statements for such periods.

This press release contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve numerous risks and uncertainties. The Company's actual results may differ from its beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as "believe," "expect," "anticipate," "estimate," "project," "plan," "continue," "intend," "should," "would," "could," "goal," "objective," "will," "may," "seek" or similar expressions or their negative forms, *or by references to strategy, plans, or intentions. Examples of forward-looking statements in this press release include statements regarding the Company's preliminary financial results for the quarter ended June 30, 2023 and estimated book value per share of common stock as of June 30, 2023. Forward-looking statements are based on our beliefs, assumptions and expectations of our future operations, business strategies, performance, financial condition, liquidity and prospects, taking into account information currently available to us. These beliefs, assumptions, and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us. If a change occurs, our business, financial condition, liquidity, results of operations and strategies may vary materially from those expressed or implied in our forward-looking statements. The following factors are examples of those that could cause actual results to vary from our forward-looking statements: changes in interest rates and the market value of the Company's investments, market volatility, changes in mortgage default rates and prepayment rates, the Company's ability to borrow to finance its assets, changes in government regulations affecting the Company's business, the Company's ability to maintain its exclusion from registration under the Investment Company Act of 1940, the Company's ability to maintain its qualification as a real estate investment trust, or "REIT," and other changes in market conditions and economic trends, such as changes to fiscal or monetary policy, heightened inflation, slower growth or recession, and currency fluctuations. Furthermore, forward-looking statements are subject to risks and uncertainties, including, among other things, those described under Item 1A of the Company's Annual Report on Form 10-K, which can be accessed through the Company's website at www.ellingtonfinancial.com or at the SEC's website (www.sec.gov). Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports the Company files with the SEC, including reports on Forms 10-Q, 10-K and 8-K. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.*

This release and the information contained herein do not constitute an offer of any securities or solicitation of an offer to purchase securities.

About Ellington Financial

Ellington Financial invests in a diverse array of financial assets, including residential and commercial mortgage loans, reverse mortgage loans, residential and commercial mortgage-backed securities, consumer loans and asset-backed securities backed by consumer loans, collateralized loan obligations, non-mortgage and mortgage-related derivatives, debt and equity investments in loan origination companies, and other strategic investments. Ellington Financial is externally managed and advised by Ellington Financial Management LLC, an affiliate of Ellington Management Group, L.L.C.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On May 29, 2023, Ellington Financial Inc., a Delaware corporation ("EFC"), EF Merger Sub Inc., a Virginia corporation and wholly-owned subsidiary of EFC ("Merger Sub"), Arlington Asset Investment Corp., a Virginia corporation ("Arlington"), and, solely for the limited purposes set forth in the Arlington Merger Agreement (as defined below), Ellington Financial Management LLC, a Delaware limited liability company (the "EFC Manager"), entered into an Agreement and Plan of Merger (the "Arlington Merger Agreement"), pursuant to which, subject to the terms and conditions therein, Arlington will be merged with and into Merger Sub, with Merger Sub continuing as the surviving corporation (such transaction, a "Merger" or the "Arlington Merger"). Following the consummation of the Arlington Merger, the surviving corporation of the Arlington Merger will be contributed to Ellington Financial Operating Partnership LLC, a Delaware limited liability company and EFC's operating partnership subsidiary (the "EFC OP"), in exchange for limited liability company interests in the EFC OP.

On June 30, 2023, EFC, EF Acquisition I LLC, a Maryland limited liability company and a direct, wholly-owned subsidiary of EFC ("Acquisition Sub"), and Great Ajax Corp., a Maryland corporation ("Great Ajax"), entered into an Agreement and Plan of Merger (the "Great Ajax Merger Agreement"), pursuant to which, subject to the terms and conditions therein, Great Ajax will be merged with and into Acquisition Sub, with Acquisition Sub continuing as the surviving company such transaction, a "Merger" or the "Great Ajax Merger"). Following the consummation of the Great Ajax Merger, the surviving company of the Great Ajax Merger will be contributed to the EFC OP, in exchange for limited liability company interests in the EFC OP.

The following unaudited pro forma condensed combined financial statements (the "Pro Forma Financial Statements") combine the historical consolidated financial position and results of operations of EFC, Arlington, and Great Ajax. The Pro Forma Financial Statements are based upon the historical financial statements of EFC, Arlington, and Great Ajax, after giving effect to the closing of each Merger which are each expected to occur in the fourth quarter of 2023 (collectively, the "Mergers"), including associated transaction costs and various other adjustments that are described in the footnotes following the Pro Forma Financial Statements, and are intended to reflect the impact of the Mergers. Neither Merger is conditioned on the occurrence of the other and the consummation of each is independent.

The Pro Forma Financial Statements are presented for illustrative purposes only. The Pro Forma Financial Statements should not be assumed to be an indication of the actual results that would have been achieved had the Mergers been completed as of the dates indicated or that may be achieved in the future. The Pro Forma Financial Statements have been prepared by EFC in accordance with Article 11 of Regulation S-X.

Each Merger will be accounted for as a business combination using the acquisition method of accounting in accordance with ASC 805, and EFC will be treated as the acquirer of both Arlington and Great Ajax for accounting purposes. Under the acquisition method of accounting, assets acquired and liabilities assumed, are recorded by the acquirer based on their estimated fair values. In cases where the purchase price exceeds the fair value of the net identifiable assets acquired, the acquirer records goodwill. Conversely, in cases where the fair value of the net identifiable assets acquired exceeds the purchase price, the acquirer records a bargain purchase gain.

With respect to the Arlington Merger, based on the closing price of $13.75 per share of EFC Common Stock as of July 11, 2023, the total estimated purchase price to be paid by EFC is $177.6 million; separately, EFC Manager will pay approximately $3.0 million in cash to Arlington common shareholders as part of the consideration in the Arlington Merger, which is not included in EFC's estimated purchase price of Arlington. In addition, the estimated purchase price of Arlington does not include $12.7 million of shares of EFC Common Stock to be issued to Arlington employees related to the accelerated vesting of certain Arlington Equity-Based Awards. With respect to the Great Ajax Merger, based on the closing price of $13.75 per share of EFC Common Stock as of July 11, 2023, the total estimated purchase price is $171.9 million; the Great Ajax Total Consideration does not include any contingent cash consideration that EFC has agreed to pay to holders of Great Ajax Common Stock, depending upon certain potential repurchases of Great Ajax securities prior to the closing of the Great Ajax Merger on certain terms.

EFC's management has made a preliminary allocation of the estimated purchase prices for each of Arlington and Great Ajax based on various preliminary estimates as of March 31, 2023. Such allocations of the estimated purchase price are preliminary pending finalization of such estimates and analyses. Final purchase accounting adjustments may differ materially from the pro forma adjustments presented below as a result of the timing of the closing of the transaction and changes in assumptions. The assumptions used to calculate the transaction accounting adjustments in the Pro Forma Financial Statements, including estimates of fair value of assets acquired and liabilities assumed, were made by EFC. These assumptions of EFC of transaction accounting adjustments, including estimates of fair value of assets acquired and liabilities assumed, may differ from assumptions used by Arlington or by Great Ajax.

The unaudited pro forma condensed combined balance sheet relating to the Mergers reflects such transactions as if each had been consummated on March 31, 2023 and includes transaction accounting adjustments for valuations of certain assets and liabilities made by EFC's management. The unaudited pro forma condensed combined statements of operations reflect the Mergers, as well as the Longbridge Acquisition (as defined below), as if each had been consummated on January 1, 2022, and combine EFC's historical results for the three-month period ended March 31, 2023 and the year ended December 31, 2022 with both Arlington's and Great Ajax's historical results for the same periods, and Longbridge's historical results for the period January 1, 2022 to October 2, 2022. EFC began consolidating Longbridge on October 3, 2022, upon EFC's acquisition of a controlling equity interest in Longbridge (the "Longbridge Acquisition").

The Pro Forma Financial Statements are based upon available information, preliminary estimates and certain assumptions that EFC believes are reasonable under the circumstances, as set forth in the notes to the Pro Forma Financial Statements. The Pro Forma Financial Statements do not take into account any synergies or cost savings that may result from the Mergers. Certain reclassification adjustments have been made to the presentation of both Arlington's and Great Ajax's historical financial statements to conform them to the presentation of EFC. The Pro Forma Financial Statements should be read in conjunction with, and are qualified by reference to, the historical consolidated financial statements and notes thereto and those of EFC, Arlington, and Great Ajax. Capitalized terms used, but not defined, in this Exhibit 99.2 shall have the meanings ascribed to such terms in Annex A to this Exhibit 99.2.

PRO FORMA CONDENSED COMBINED BALANCE SHEET
(UNAUDITED)[1]

	March 31, 2023						
(In thousands)	**Ellington Financial Inc.**	**Arlington Asset Investment Corp.**	**Transaction Accounting Adjustments (Arlington)**	**Pro Forma Combined (EFC and Arlington)**	**Great Ajax Corp.**	**Transaction Accounting Adjustments (Great Ajax)**	**Pro Forma Combined (EFC, Arlington, and Great Ajax)**
Assets							
Securities, at fair value	$ 1,389,547	$ 566,494	$ (439) **A**	$ 1,955,602	$ 220,264	$ 4,962 **A**	$ 2,180,828
Loans, at fair value	11,812,567	29,142	(2,780) **B**	11,838,929	970,665	(80,346) **B**	12,729,248
Other assets	909,411	212,368	(26,005) **C**	1,095,774	248,712	(117,959) **D**	1,226,527
Total Assets	14,111,525	808,004	(29,224)	14,890,305	1,439,641	(193,343)	16,136,603
Liabilities							
Repurchase agreements	2,285,898	484,348	—	2,770,246	418,653	—	3,188,899
Other secured borrowings, at fair value	1,534,592	160	—	1,534,752	—	424,720 **E**	1,959,472
HMBS related obligations, at fair value	7,975,916	—	—	7,975,916	—	—	7,975,916
Other liabilities	940,356	108,351	(7,655) **F**	1,041,052	688,433	(469,922) **G**	1,259,563
Total Liabilities	12,736,762	592,859	(7,655)	13,321,966	1,107,086	(45,202)	14,383,850
Equity							
Preferred equity	323,920	32,821	(3,552) **H**	353,189	34,554	(34,554) **I**	353,189
Common equity	67	284	(272) **J**	79	245	(233) **K**	91
Additional paid in capital	1,308,107	2,024,979	(1,863,961) **L**	1,469,125	325,462	(153,599) **M**	1,640,988
Retained earnings (accumulated deficit)	(282,262)	(1,842,939)	1,846,216 **N**	(278,985)	(544)	11,205 **N**	(268,324)
Treasury stock	—	—	—	—	(9,532)	9,532 **O**	—
Accumulated other comprehensive income (loss)	—	—	—	—	(19,763)	19,763 **O**	—
Total Stockholders' Equity	1,349,832	215,145	(21,569)	1,543,408	330,422	(147,886)	1,725,944
Non-controlling interests	24,931	—	—	24,931	2,133	(255) **P**	26,809
Total Equity	1,374,763	215,145	(21,569)	1,568,339	332,555	(148,141)	1,752,753
Total Liabilities and Equity	$ 14,111,525	$ 808,004	$ (29,224)	$ 14,890,305	$ 1,439,641	$ (193,343)	$ 16,136,603

(1) The Arlington Merger and the Great Ajax Merger are independent, not conditioned on each other and may close at different times.

PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS (UNAUDITED)(1)

	Three-Month Period Ended March 31, 2023						
(In thousands, except per share information)	Ellington Financial Inc.	Arlington Asset Investment Corp.	Transaction Accounting Adjustments (Arlington)	Pro Forma Combined (EFC and Arlington)	Great Ajax Corp.	Transaction Accounting Adjustments (Great Ajax)(2)	Pro Forma Combined (EFC, Arlington, and Great Ajax)
Net Interest Income							
Interest income	$ 87,174	$ 13,993	$ —	$ 101,167	$ 18,456	$ —	$ 119,623
Interest expense	(59,617)	(8,347)	—	(67,964)	(15,056)	—	(83,020)
Total net interest income	27,557	5,646	—	33,203	3,400	—	36,603
Other Income (Loss)							
Realized gains (losses) on securities and loans, net	(36,767)	(3,544)	—	(40,311)	(2,927)	—	(43,238)
Realized gains (losses) on financial derivatives, net	(25,447)	10,042	—	(15,405)	—	—	(15,405)
Unrealized gains (losses) on securities and loans, net	99,257	59,744	—	159,001	—	—	159,001
Unrealized gains (losses) on financial derivatives, net	2,763	(15,452)	—	(12,689)	(1,622)	—	(14,311)
Net change from reverse mortgage loans held for investment, at fair value	163,121	—	—	163,121	—	—	163,121
Net change related to HMBS obligations, at fair value	(131,534)	—	—	(131,534)	—	—	(131,534)
Unrealized gains (losses) on other secured borrowings, at fair value	(29,680)	(54,602)	—	(84,282)	—	—	(84,282)
Unrealized gains (losses) on senior notes, at fair value	6,510	—	—	6,510	—	—	6,510
Other, net	3,452	(32)	—	3,420	966	—	4,386
Total other income (loss)	51,675	(3,844)	—	47,831	(3,583)	—	44,248
Expenses							
Base management fee to affiliate	4,956	—	741 **Q**	5,697	1,828	(1,125) **Q**	6,400
Investment related expenses	8,676	—	—	8,676	1,862	—	10,538
Compensation and benefits	14,670	1,597	—	16,267	517	—	16,784
Other expenses	9,600	2,314	—	11,914	1,788	—	13,702
Total expenses	37,902	3,911	741	42,554	5,995	(1,125)	47,424
Net Income (Loss) before Income Tax Expense (Benefit) and Earnings (Losses) from Investments in Unconsolidated Entities	41,330	(2,109)	(741)	38,480	(6,178)	1,125	33,427
Income tax expense (benefit)	21	109	—	130	93	—	223
Earnings (losses) from investments in unconsolidated entities	3,444	—	—	3,444	(1,093)	—	2,351
Net Income (Loss)	44,753	(2,218)	(741)	41,794	(7,364)	1,125	35,555
Net income (loss) attributable to non-controlling interests	720	—	—	720	30	—	750
Dividends on preferred stock	5,117	660	—	5,777	547	(547) **R**	5,777
Net Income (Loss) Attributable to Common Stockholders	$ 38,916	$ (2,878)	$ (741)	$ 35,297	$ (7,941)	$ 1,672	$ 29,028
Basic and Diluted Net Income (Loss) per Share of Common Stock(3)	$ 0.43	$ (0.03)	$ (0.01)	$ 0.39	$ (0.09)	$ 0.02	$ 0.32

(1) The Arlington Merger and the Great Ajax Merger are independent, not conditioned on each other and may close at different times.

(2) The unaudited pro forma condensed combined statements of operations reflect the Mergers as if each had been consummated on January 1, 2022. EFC expects to elect the fair value option for the majority of Great Ajax's assets and liabilities consistent with EFC's policies, and this unaudited pro forma condensed combined statement of operations does not reflect any adjustments for what the changes in fair value may have been subsequent to January 1, 2022 during the periods presented.

(3) Based on 91,699,199 weighted average shares of EFC Common Stock and outstanding convertible non-controlling interest units, which are participating non-controlling interests of EFC, for the three-month period ended March 31, 2023. Such weighted average shares include the shares to be issued as a result of the Mergers and related transactions. See Note Z in the notes to the Pro Forma Financial Statements for additional information.

PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS (UNAUDITED)(1)

(In thousands, except per share information)	Year Ended December 31, 2022								
	Ellington Financial Inc.	**Longbridge Financial LLC(2)**	**Arlington Asset Investment Corp.**	**Transaction Accounting Adjustments (Longbridge)**	**Transaction Accounting Adjustments (Arlington)**	**Pro Forma Combined (EFC and Arlington)**	**Great Ajax Corp.**	**Transaction Accounting Adjustments (Great Ajax)(2)**	**Pro Forma Combined (EFC, Arlington, and Great Ajax)**
Net Interest Income									
Interest income	$ 282,218	$ 6,865	$ 43,119	$ —	$ —	$ 332,202	$ 82,582	$ —	$ 414,784
Interest expense	(141,777)	(11,732)	(21,511)	—	—	(175,020)	(44,346)	—	(219,366)
Total net interest income	140,441	(4,867)	21,608	—	—	157,182	38,236	—	195,418
Other Income (Loss)									
Realized gains (losses) on securities and loans, net	(105,449)	11,292	(45,585)	—	—	(139,742)	(4,774)	—	(144,516)
Realized gains (losses) on financial derivatives, net	120,489	2,111	4,149	—	—	126,749	(12,344)	—	114,405
Unrealized gains (losses) on securities and loans, net	(475,807)	(2,896)	(28,130)	—	—	(506,833)	—	—	(506,833)
Unrealized gains (losses) on financial derivatives, net	53,891	7,121	1,341	—	—	62,353	(11,143)	—	51,210
Net change from reverse mortgage loans held for investment, at fair value	199,189	(91,901)	—	—	—	107,288	—	—	107,288
Net change related to HMBS obligations, at fair value	(162,381)	98,516	—	—	—	(63,865)	—	—	(63,865)
Unrealized gains (losses) on other secured borrowings, at fair value	258,140	—	54,599	—	—	312,739	—	—	312,739
Unrealized gains (losses) on senior notes, at fair value	18,165	—	—	—	—	18,165	—	—	18,165
Bargain purchase gain	7,932	—	—	—	19,863 **S**	27,795	—	15,521 **S**	43,316
Other, net	5,384	18,363	22,550	—	—	46,297	2,302	—	48,599
Total other income (loss)	(80,447)	42,606	8,924	—	19,863	(9,054)	(25,959)	15,521	(19,492)
Expenses									
Base management fee to affiliate	16,847	—	—	—	2,962 **Q**	19,809	8,326	(5,515) **Q**	22,620
Investment related expenses	30,949	20,139	6,073	—	—	57,161	8,152	—	65,313
Compensation and benefits	19,599	37,400	6,708	—	12,675 **T**	76,382	1,146	—	77,528
Other expenses	17,570	10,462	8,207	477 **U**	3,912 **V**	40,628	5,535	4,860 **W**	51,023
Total expenses	84,965	68,001	20,988	477	19,549	193,980	23,159	(655)	216,484
Net Income (Loss) before Income Tax Expense (Benefit) and Earnings (Losses) from Investments in Unconsolidated Entities	(24,971)	(30,262)	9,544	(477)	314	(45,852)	(10,882)	16,176	(40,558)
Income tax expense (benefit)	(17,716)	—	4,118	—	—	(13,598)	2,835	—	(10,763)
Earnings (losses) from investments in unconsolidated entities	(63,614)	—	—	37,103 **X**	—	(26,511)	(1,218)	—	(27,729)
Net Income (Loss)	(70,869)	(30,262)	5,426	36,626	314	(58,765)	(14,935)	16,176	(57,524)
Net income (loss) attributable to non-controlling interests	(822)	—	—	—	—	(822)	75	—	(747)
Dividends on preferred stock	15,292	—	2,784	—	—	18,076	5,474	(5,474) **R**	18,076
Discount on retirement of preferred stock	—	—	—	—	—	—	8,194	(8,194) **Y**	—
Net Income (Loss) Attributable to Common Stockholders	$ (85,339)	$ (30,262)	$ 2,642	$ 36,626	$ 314	$ (76,019)	$ (28,678)	$ 29,844	$ (74,853)
Basic and Diluted Net Income (Loss) per Share of Common Stock(3)	$ (1.02)	$ (0.35)	$ 0.03	$ 0.43	$ —	$ (0.91)	$ (0.34)	$ 0.35	$ (0.90)

(1) The Arlington Merger and the Great Ajax Merger are independent, not conditioned on each other and may close at different times.

(2) Represents pro forma financial information for the period January 1, 2022 to October 2, 2022. EFC began consolidating Longbridge on October 3, 2022, upon consummating the Longbridge Acquisition.

(3) The unaudited pro forma condensed combined statements of operations reflect the Mergers as if each had been consummated on January 1, 2022. EFC expects to elect the fair value option for the majority of Great Ajax's assets and liabilities consistent with EFC's policies, and this unaudited pro forma condensed combined statement of operations does not reflect any adjustments for what the changes in fair value may have been subsequent to January 1, 2022 during the periods presented.

(4) Based on 84,826,907 weighted average shares of EFC Common Stock and outstanding convertible non-controlling interest units, which are participating non-controlling interests of EFC, for the year ended December 31, 2022. Such weighted average shares include the shares to be issued as a result of the Mergers and related transactions. See Note Z in the notes to the Pro Forma Financial Statements for additional information.

Notes to Unaudited Pro Forma Condensed Combined Financial Information

1. Basis of Presentation

The Arlington Merger

Under the terms of the Arlington Merger Agreement, in connection with the Arlington Merger, each outstanding share of Arlington Common Stock (other than shares held by EFC or Merger Sub or by any wholly owned subsidiary of EFC, Merger Sub or Arlington) will be converted into the right to receive (i) from EFC, a number of shares of EFC Common Stock based on the Arlington Exchange Ratio and (ii) from EFC Manager, $0.09 in cash (approximately $3.0 million in aggregate).

The total estimated fair value of consideration for the Arlington Merger is $177.6 million, which is equal to the estimated fair value of EFC Common Stock and EFC Preferred Stock to be issued (the "Arlington Total Consideration"). The Arlington Total Consideration does not include the approximately $3.0 million in cash to be paid to Arlington common shareholders by EFC Manager, nor does it include $12.7 million of shares of EFC Common Stock to be issued to Arlington employees related to the accelerated vesting of certain Arlington Equity-Based Awards. EFC performed a preliminary allocation of the Arlington Total Consideration and presented the underlying assets acquired and liabilities assumed based on EFC's estimates of the fair values of such assets and liabilities using the most current information available assuming the transaction closed on March 31, 2023. This allocation is preliminary and subject to change. In conjunction with the preliminary purchase price allocation, EFC would expect to recognize a bargain purchase gain of $19.9 million, which is calculated as the recognized amount of the identifiable net assets acquired less the fair value of the consideration transferred.

The following table (shown in thousands) summarizes the preliminary purchase price allocation, based on EFC's estimated valuations, of Arlington's net assets acquired as if the transaction occurred on March 31, 2023:

Purchase price[(1)(2)]		
Common stock[(3)]	$	148,354
Preferred equity[(4)]		29,270
Total consideration	$	177,624
Allocated to:		
Assets:		
Securities, at fair value	$	566,055
Mortgage servicing receivables, at fair value		175,801
Other assets		40,836
Total assets acquired		782,692
Liabilities:		
Repurchase agreements		484,348
Senior notes		78,853
Other liabilities		22,004
Total liabilities assumed		585,205
Total net assets acquired		197,487
Bargain purchase gain	$	19,863

(1) Like EFC, Arlington has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). As of March 31, 2023, Arlington had an estimated federal net operating loss carryforward of $164.0 million, of which $14.5 million is expected to expire in 2028 if unused, with the remainder having no expiration. As of March 31, 2023, Arlington also had an estimated federal net capital loss carryforward of $136.2 million, of which $105.2 million is expected to expire in 2023 if unused, $14.2 million is expected to expire in 2026 if unused, and $16.9 million is expected to expire in 2027 if unused. As a result of these loss carryforwards existing in an entity electing REIT tax status, Arlington has not utilized nor has it recognized deferred tax assets related to these loss carryforwards. EFC is evaluating the attributes of these loss carryforwards, including the extent to which, and likelihood, that the Combined Company will utilize them in part or in whole. There is significant uncertainty as to the likelihood that the Combined Company will utilize these loss carryforwards, either in part or in whole. Given this uncertainty, EFC has not recognized any net deferred tax assets in this preliminary purchase price allocation. If EFC determines that it is likely to utilize these loss carryforwards, in part or in whole, this could have a material effect on the purchase price allocation once finalized.

(2) EFC continues to evaluate the terms and conditions of Arlington employment contracts and Arlington Equity-Based Awards and the related accounting.

(3) Assumes issuance of 10,789,427 shares of EFC Common Stock based on the Arlington Exchange Ratio and the closing stock price of EFC Common Stock on July 11, 2023, as reported by the NYSE, of $13.75.

(4) Assumes the issuance of 379,668 shares of EFC Series D Preferred Stock at $19.01 per share and 957,133 shares of EFC Series E Preferred Stock at $23.04 per share. Fair value estimates of the EFC Series D Preferred Stock and the EFC Series E Preferred Stock are based on the closing stock prices on July 11, 2023 for the Arlington Series B Preferred Stock and Arlington Series C Preferred Stock, respectively, as reported by the NYSE.

The following table shows (shown in thousands other than per share amounts) a range of estimated Arlington Total Consideration and the resulting bargain purchase gain (or goodwill) based on hypothetical per share prices of EFC Common Stock, Arlington Series B Preferred Stock, and Arlington Series C Preferred Stock:

	20% Decrease	10% Decrease	Hypothetical Share Price[1]	10% Increase	20% Increase
Price per share of EFC Common Stock	$ 11.00	$ 12.38	$ 13.75	$ 15.13	$ 16.50
Price per share of Arlington Series B Preferred Stock	15.21	17.11	19.01	20.91	22.81
Price per share of Arlington Series C Preferred Stock	18.43	20.74	23.04	25.34	27.65
Total consideration transferred	142,098	159,920	177,624	195,437	213,151
Bargain purchase gain / (goodwill)	55,389	37,567	19,863	2,050	(15,664)

(1) All figures based on the applicable closing stock prices, as reported by the NYSE, on July 11, 2023.

The Great Ajax Merger

Under the terms of the Great Ajax Merger Agreement, in connection with the Great Ajax Merger, each outstanding share of Great Ajax Common Stock (other than shares held by EFC or Acquisition Sub or by any wholly owned subsidiary of EFC, Acquisition Sub or Great Ajax) will be converted into the right to receive from EFC (i) a number of shares of EFC Common Stock based on the Great Ajax Exchange Ratio and (ii) if, applicable, any contingent cash consideration.

The total estimated fair value of consideration for the Great Ajax Merger is $171.9 million, which is equal to the estimated fair value of EFC Common Stock to be issued (the “Great Ajax Total Consideration”). The Great Ajax Total Consideration does not include any contingent cash consideration that EFC has agreed to pay to holders of Great Ajax Common Stock, depending upon certain potential repurchases of Great Ajax securities prior to the closing of the Great Ajax Merger on certain terms. EFC performed a preliminary allocation of the Great Ajax Total Consideration and presented the underlying assets acquired and liabilities assumed based on EFC’s estimates of the fair values of such assets and liabilities using the most current information available. This allocation is preliminary and subject to change. In conjunction with the preliminary purchase price allocation, EFC would expect to recognize a bargain purchase gain of $15.5 million, which is calculated as the recognized amount of the identifiable net assets acquired less the fair value of the consideration transferred and less the fair value of the non-controlling interest.

The following table (shown in thousands) summarizes the preliminary purchase price allocation, based on EFC’s estimated valuations, of Great Ajax’s net assets acquired as if the transaction occurred on March 31, 2023:

Purchase price		
Common stock[(1)]	$	171,875
Total consideration	$	171,875
Allocated to:		
Assets:		
Securities, at fair value	$	225,225
Loans, at fair value		890,318
Investment in non-consolidated entities, at fair value		128,812
Other assets		6,803
Total assets acquired		1,251,158
Liabilities:		
Repurchase agreements		418,653
Other secured borrowings, at fair value		424,719
Senior notes		208,226
Other liabilities		10,286
Total liabilities assumed		1,061,884
Total identifiable net assets		189,274
Non-controlling interests		1,878
Total net assets acquired		187,396
Bargain purchase gain	$	15,521

(1) Assumes issuance of 12,499,977 shares of EFC Common Stock based on the Great Ajax Exchange Ratio and the closing stock price of EFC Common Stock on July 11, 2023, as reported by the NYSE, of $13.75.

The following table (shown in thousands other than per share amounts) shows a range of the estimated Great Ajax Total Consideration and the resulting bargain purchase gain (or goodwill) based on hypothetical per share prices of EFC Common Stock:

	20% Decrease	10% Decrease	Hypothetical Share Price[(1)]	10% Increase	20% Increase
Price per share of EFC Common Stock	$ 11.00	$ 12.38	$ 13.75	$ 15.13	$ 16.50
Total consideration transferred	137,500	154,750	171,875	189,125	206,250
Bargain purchase gain / (goodwill)	49,896	32,646	15,521	(1,729)	(18,854)

(1) All figures based on the closing price of EFC Common Stock reported by the NYSE on July 11, 2023.

2. Pro Forma Transaction Accounting Adjustments:

The accompanying Pro Forma Financial Statements have been prepared as if the Mergers had occurred as of March 31, 2023 for balance sheet purposes, and as of January 1, 2022 for income statement purposes, and reflect the following pro forma adjustments.

A. Adjustments to reflect EFC’s estimated fair value of each of Arlington’s and Great Ajax’s investments in securities at March 31, 2023.

B. Adjustments to reflect EFC’s estimated fair value of each of Arlington’s and Great Ajax’s investments in loans at March 31, 2023.

C. Adjustment includes an $8.2 million reduction to cash for estimated transaction expenses related to both EFC and Arlington and $10.2 million for severance and certain change of control-related expenses at Arlington, $(7.3) million adjustment to reflect EFC’s estimated fair value of an MSR financing receivable at March 31, 2023, and other adjustments of $(0.3) million primarily relating to the write-off of certain prepaid expenses at Arlington that will provide no future benefit to the Combined Company.

D. Adjustment includes reductions in cash for various transactions that will occur prior to the closing of the Great Ajax Merger of $10.0 million for estimated transaction expenses for both EFC and Great Ajax, $39.0 for the redemption of Great Ajax Preferred Equity at the respective stated liquidation preference, $12.6 million for the net payment of the termination fee due to the external manager of Great Ajax as part of the Great Ajax Merger, and $18.9 million primarily related to the extinguishment of a put option liability related to previously issued Great Ajax Warrants. Also includes a $(37.4) million adjustment primarily related to Great Ajax's investments in unconsolidated entities to reflect EFC's estimates of the fair value of such investments, at March 31, 2023.

E. Represents reclass of other secured borrowings which is included in other liabilities to other secured borrowings at fair value of $454.7 million net of an adjustment of $(29.9) million to reflect EFC's estimates of the fair value of such liabilities at March 31, 2023.

F. Represents an adjustment to reflect EFC's estimated fair value, at March 31, 2023, of various long-term debt instruments of Arlington.

G. Adjustment primarily includes the reclass of $454.7 million of other secured borrowings of Great Ajax into other secured borrowings at fair value (see also footnote (E) above), $13.8 million for the extinguishment of a put option liability related to Great Ajax Warrants, and $1.5 million to reflect EFC's estimated fair value, at March 31, 2023, of various long-term debt instruments of Great Ajax.

H. Includes adjustment related to the issuance, at fair value, of shares of EFC Series D Preferred Stock and EFC Series E Preferred Stock in exchange for the retirement of shares of Arlington Series B Preferred Stock and Arlington Series C Preferred Stock.

I. Adjustment reflects the redemption of Great Ajax's Preferred Equity.

J. Represents adjustment for the net par value related to the issuance of 11,711,240 shares of EFC Common Stock in exchange for the retirement of 32,360,432 shares of Arlington Common Stock, which includes the accelerated vesting of outstanding Arlington Equity-Based Awards for employees and directors of Arlington.

K. Represents adjustment related to the issuance of 12,499,977 shares of EFC Common Stock in exchange for the retirement of 23,518,507 shares of Great Ajax Common Stock which includes the accelerated vesting of Great Ajax outstanding share-based compensation awards.

L. Represents the elimination of Arlington's additional paid-in-capital balance of $2,025.0 million partially offset by the increase in additional paid-in-capital balance related to the issuance of shares of EFC Common Stock (see footnote J) of $161.0 million.

M. Represents the elimination of Great Ajax's additional paid-in-capital balance of $325.5 million partially offset by the increase in additional paid-in-capital balance related to the issuance of shares of EFC Common Stock (see footnote K) of $171.9 million.

N. Adjustment for the elimination of retained deficit and cumulative retained earnings adjustments related to the Mergers and related transactions.

O. Represents the elimination of amounts related to Great Ajax treasury stock and accumulated other comprehensive income.

P. Represents reduction of non-controlling interests at Great Ajax to reflect an adjustment to EFC's estimated fair value on the related investments.

Q. The increase in management fee expense as a result of the Arlington Merger is due to the assumption that the equity acquired was subject to an external management fee as of January 1, 2022. The decrease in management fee expense as a result of the Great Ajax Merger reflects a difference in the calculation methodologies for the periods presented, as well as the net effect of the transaction accounting adjustments on equity acquired as of January 1, 2022.

R. Represents the elimination of dividends on Great Ajax Preferred Equity recognized by Great Ajax. Under the terms of the Great Ajax Merger, Great Ajax has agreed to use commercially reasonable efforts to redeem all of Great Ajax's Preferred Equity immediately prior to the closing of the Great Ajax Merger. Such redemption is assumed to have occurred as of January 1, 2022.

S. Represents expected bargain purchase gain related to the Mergers.

T. Additional compensation expense of $12.7 million related to the accelerated vesting of certain Arlington Equity-Based Awards to be assumed by EFC as a result of the Arlington Merger.

U. Represents adjustment for the amortization expense related to intangible assets acquired from the Longbridge Acquisition.

V. Estimated transaction fees of $3.9 million incurred by EFC related to the Arlington Merger.

W. Estimated transaction fees of $4.9 million incurred by EFC related to the Great Ajax Merger.

X. Reflects the reversal of net unrealized gains (losses) recognized by EFC related to EFC's pre-existing non-controlling equity interest in Longbridge, for which EFC had elected the fair value option as provided for under ASC 825, Financial Instruments.

Y. Represents the elimination of "Discount on retirement of preferred shares" related to Great Ajax. Under the terms of the Great Ajax Merger, Great Ajax must use commercially reasonable efforts to redeem all of Great Ajax Preferred Equity immediately prior to the closing of the Great Ajax Merger. Such redemption is assumed to have occurred as of January 1, 2022.

Z. The components used in the computation of basic and diluted net income (loss) per share of common stock consist of net income (loss) less dividends on EFC's outstanding preferred stock and any net income (loss) attributable to joint venture partners of EFC, which have non-participating non-controlling interests. For the three-month period ended March 31, 2023 and the year ended December 31, 2022, net income (loss) attributable to joint venture partners excluded from the computation of basic and diluted net income (loss) per share of common stock was $0.2 million and $0.3 million, respectively.

ANNEX A

"Arlington Common Stock" refers to each outstanding share of Class A common stock, par value $0.01 per share, of Arlington.

"Arlington Equity-Based Awards" refers to any of the Arlington restricted shares, Arlington deferred stock units, Arlington performance restricted stock units and Arlington stock price performance restricted stock units.

"Arlington Exchange Ratio" refers to 0.3619, subject to certain adjustments as provided in the Arlington Merger Agreement.

"Arlington Series B Preferred Stock" refers to Arlington's 7.00% Series B Cumulative Perpetual Redeemable Preferred Stock, $0.01 par value per share.

"Arlington Series C Preferred Stock" refers to Arlington's 8.250% Series C Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, $0.01 par value per share.

"Combined Company" refers to EFC and its subsidiaries, including the surviving company of each or both, as context requires, Merger, after the closing of each Merger.

"contingent cash consideration" refers to, to the extent Great Ajax effectuates the repurchase of the Great Ajax Preferred Equity and the Great Ajax Warrants on terms set forth in the Great Ajax Disclosure Letter prior to the closing of the Great Ajax Merger, an amount of cash as set forth on the Great Ajax Disclosure Letter that EFC shall deliver to the Great Ajax Stockholders as part of the consideration for the Great Ajax Merger at the closing of the Great Ajax Merger.

"EFC Common Stock" refers to the common stock, par value $0.001 per share, of EFC.

"EFC Preferred Stock" refers to EFC Series D Preferred Stock and EFC Series E Preferred Stock, together.

"EFC Series D Preferred Stock" refers to EFC's to be classified 7.00% Series D Cumulative Perpetual Redeemable Preferred Stock, $0.001 par value per share, to be newly issued in connection with the Arlington Merger.

"EFC Series E Preferred Stock"refers to EFC's to be classified 8.250% Series E Fixed-to-Floating Rate Cumulative Redeemable Preferred Stock, $0.001 par value per share, to be newly issued in connection with the Arlington Merger.

“Great Ajax Common Stock” refers to the common stock, par value $0.01 per share, of Great Ajax.

“Great Ajax Disclosure Letter” refers to the disclosure letter delivered by Great Ajax to EFC and Acquisition Sub on the date of the Great Ajax Merger Agreement.

“Great Ajax Exchange Ratio” refers to 0.5308, subject to certain adjustments as provided in the Great Ajax Merger Agreement.

“Great Ajax Preferred Equity” refers to the Great Ajax Series A Preferred Stock and Great Ajax Series B Preferred Stock.

“Great Ajax Series A Preferred Stock” refers to Great Ajax’s 7.25% Series A Preferred Stock, $0.01 par value per share.

“Great Ajax Series B Preferred Stock” refers to Great Ajax’s 5.00% Series B Preferred Stock, $0.01 par value per share.

“Great Ajax Stockholders” refers to the holders of Great Ajax Common Stock.

“Great Ajax Warrants” refers to all warrants representing the right to purchase shares of Great Ajax Common Stock.

“Longbridge” refers to Longbridge Financial, LLC, a direct subsidiary of EFC.

“MSRs” refers to mortgage servicing rights.

“REIT” refers to a real estate investment trust as defined in Section 856 of the Code.

Risk Factors

There are a number of significant risks related to the Mergers (as defined below), including the risk factors enumerated below. In addition to the below, you should read and consider the risks associated with the businesses of each of EFC, Arlington and Great Ajax. The risks associated with the business of EFC can be found in its Annual Report on Form 10-K for the year ended December 31, 2022, and other reports of EFC. The risks associated with the business of Arlington can be found in its Annual Report on Form 10-K for the year ended December 31, 2022, as amended, and other reports of Arlington. The risks associated with the business of Great Ajax can be found in its Annual Report on Form 10-K for the year ended December 31, 2022, and other reports of Great Ajax. Unless otherwise specified or if the context so requires, the following terms have the meanings set forth below for purposes of this Exhibit 99.3:

"Arlington" refers to Arlington Asset Investment Corp., a Virginia corporation.

"Arlington Common Stock" refers to each outstanding share of Class A common stock, par value $0.01 per share, of Arlington.

"Arlington Merger" refers to the merger of Arlington with and into EF Merger Sub Inc., a direct wholly-owned subsidiary of EFC, with EF Merger Sub Inc. continuing as the surviving corporation of the Arlington Merger, pursuant to the Arlington Merger Agreement.

"Arlington Merger Agreement" refers to the Agreement and Plan of Merger, dated as of May 29, 2023, by and among EFC, EF Merger Sub Inc., Arlington and, solely for the limited purposes set forth in such merger agreement, EFC Manager.

"Closing" refers to the closing of the applicable Merger.

"Combined Company" refers to EFC and its subsidiaries, including the surviving company of each or both, as context requires, Merger, after the closing of each Merger.

"EFC" refers to Ellington Financial Inc., a Delaware corporation.

"EFC Board" refers to the board of directors of EFC.

"EFC Common Stock" refers to the common stock, par value $0.001 per share, of EFC.

"EFC Manager" refers to Ellington Financial Management LLC, a Delaware limited liability company and EFC's external manager.

"EFC OP Units" refers to common units of the EFC Operating Partnership.

"EFC Operating Partnership" refers to Ellington Financial Operating Partnership LLC, a Delaware limited liability company and EFC's operating partnership subsidiary.

"EMG" refers to Ellington Management Group, L.L.C. and its affiliated investment advisory firms.

"Great Ajax" refers to Great Ajax Corp., a Maryland corporation.

"Great Ajax Common Stock" refers to the common stock, par value $0.01 per share, of Great Ajax.

"Great Ajax Merger" refers to the merger of Great Ajax with and into EF Acquisition I LLC., a direct wholly-owned subsidiary of EFC, with EF Acquisition I LLC continuing as the surviving company of the Great Ajax Merger, pursuant to the Great Ajax Merger Agreement.

"Great Ajax Merger Agreement" refers to the Agreement and Plan of Merger, dated as of June 30, 2023, by and among EFC, EF Acquisition I LLC and Great Ajax, as amended from time to time.

"Merger" refers to the Arlington Merger, the Great Ajax Merger or the foregoing together, as context requires.

"Merger Agreement" refers to the Arlington Merger Agreement, the Great Ajax Merger Agreement or the foregoing together, as context requires.

"Target" refers to Arlington, Great Ajax or the foregoing together, as context requires.

"Target Common Stock" refers to Arlington Common Stock, Great Ajax Common Stock or the foregoing together, as context requires.

"TRS" refers to a taxable REIT subsidiary.

Risks Related to the Merger

Each Merger is subject to a number of unrelated conditions which, if not satisfied or waived in a timely manner, would delay the applicable Merger or adversely impact EFC's and the applicable Target's ability to complete the applicable Merger.

The completion of each Merger is subject to the satisfaction or waiver of a number of unrelated conditions. In addition, under circumstances specified in each Merger Agreement, EFC or the applicable Target may terminate the applicable Merger Agreement. In particular, completion of each Merger requires the approval of a proposal to consummate the Merger by the applicable Target's common shareholders. While it is currently anticipated that each Merger will be completed shortly after the applicable Target's special meeting to approve the applicable merger proposal, there can be no assurance that the conditions applicable to the Closing will be satisfied in a timely manner or at all, or that an effect, event, circumstance, occurrence, development or change will not transpire that could delay or prevent these conditions from being satisfied. Accordingly, EFC cannot provide any assurances with respect to the timing of the Closing, whether the applicable Merger will be completed at all or when the applicable Target shareholders would receive the consideration for the applicable Merger, if at all.

Failure to consummate the applicable Merger as currently contemplated or at all could adversely aff\ect the future business and financial results of EFC and the price of EFC Common Stock.

Each Merger may be consummated on terms different than those contemplated by the applicable Merger Agreement, or such Merger may not be consummated at all. If a Merger is not completed, or is completed on different terms than as contemplated by the applicable Merger Agreement, EFC could be adversely affected and subject to a variety of risks associated with the failure to consummate the applicable Merger, or to consummate the applicable Merger as contemplated by the applicable Merger Agreement, including the following:

- the EFC stockholders may be prevented from realizing the anticipated benefits of the applicable Merger;
- the market price of EFC Common Stock could decline significantly;
- reputational harm due to the adverse perception of any failure to successfully consummate the applicable Merger;
- incurrence of substantial costs relating to the Mergers, such as legal, accounting, financial advisor, filing, printing and mailing fees; and
- the attention of EFC's and the applicable Target's management and, in the case of Arlington, employees may be diverted from their day-to-day business and operational matters as a result of efforts relating to attempting to consummate the Mergers.

Any delay in the consummation of a Merger or any uncertainty about the consummation of a Merger on terms other than those contemplated by the applicable Merger Agreement, or if a Merger is not completed, could materially adversely affect the business and financial results of EFC and/or the price of EFC Common Stock.

The pendency of each Merger could adversely affect EFC's and the applicable Target's business and operations.

In connection with each pending Merger, some of the parties with whom EFC or the applicable Target does business may delay or defer decisions, which could negatively impact the revenues, earnings, cash flows and expenses of EFC or the applicable Target, regardless of whether the applicable Merger is completed, and of the applicable Combined Company, if the applicable Merger is completed. In addition, under each Merger Agreement, EFC and the applicable Target are each subject to certain restrictions on the conduct of its respective business prior to completing the applicable Merger. These restrictions may prevent EFC and/or the applicable Target from pursuing certain strategic transactions, acquiring and/or disposing of assets, undertaking certain capital projects, undertaking certain financing transactions and otherwise pursuing other actions that are not in the ordinary course of business, even if such actions could prove beneficial. These restrictions may impede EFC's or the applicable Target's growth which could negatively impact its respective revenue, earnings and cash flows. Additionally, the pendency of each Merger may make it more difficult for EFC or the applicable Target to effectively retain and incentivize key personnel, which could have a negative effect on EFC's or the applicable Target's business. Furthermore, the process of planning to integrate EFC's, Arlington's and Great Ajax's businesses for the post-Merger period may divert management attention and resources and could ultimately have an adverse effect on each party.

Each Merger and related transactions are subject to the applicable Target's common shareholder approval.

Neither Merger can be completed unless the applicable Target's common shareholders approve the applicable merger proposal, which (i) in the case of Arlington, requires the affirmative vote of a majority of the votes cast at the Arlington special meeting in accordance with the Virginia Stock Corporation Act, as amended and the governing documents of Arlington, provided a quorum is present, and (ii) in the case of Great Ajax, requires the affirmative vote of holders of shares entitled to cast a majority of all the votes entitled to be cast thereon at the Great Ajax special meeting in accordance with the Maryland General Corporation Law, as amended, and the governing documents of Great Ajax, provided a quorum is present. If the required shareholder approval is not obtained from the applicable Target's common shareholders, the applicable Merger and related transactions cannot be completed. Neither Merger is expressly or implicitly conditioned on the consummation of the transactions or the satisfaction or waiver of any of the conditions to the consummation of the other Merger.

The applicable Merger Agreement may be terminated under certain circumstances.

Either EFC or the applicable Target may terminate the applicable Merger Agreement under certain circumstances, including, but not limited to, (a) if the other party to the applicable Merger Agreement breaches certain covenants or other agreements contained in the applicable Merger Agreement, (b) if any governmental entity of competent jurisdiction issues a final and non-appealable order, decree, ruling or injunction or takes any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the applicable Merger, (c) if the applicable Target's board of directors changes its recommendation to its shareholders regarding the applicable Merger, (d) if the applicable Target's common shareholders fail to approve the applicable merger proposal at the applicable Target's special meeting and (e) (i) with respect to Arlington, if the Merger has not been consummated by 5:00 p.m., New York, New York time on December 29, 2023, and (ii) with respect to Great Ajax, if the Merger has not been consummated by 5:00 p.m., New York, New York time on January 31, 2024; provided that, the termination right described in this clause (e) will not be available to a party whose breach of any representation, warranty, covenant or agreement contained in the applicable Merger Agreement has been the cause of (or, in the case of the Great Ajax Merger Agreement, the primary cause of), or resulted in, the failure to consummate the applicable Merger on or before such date.

EFC may not terminate the applicable Merger Agreement or adjust the Arlington Exchange Ratio or Great Ajax Exchange Ratio, as applicable, solely due to a decrease in the market price of the applicable Target Common Stock or value of the applicable Target's portfolio or an increase in the market price of EFC Common Stock or value of EFC's portfolio.

While the market price of EFC Common Stock and the applicable Target Common Stock and the value of EFC's and each Target's portfolio have fluctuated since the date of the applicable Merger Agreement and will continue to fluctuate until the applicable Closing occurs (which could be a significant period of time), EFC may not terminate either Merger Agreement or adjust the Arlington Exchange Ratio or Great Ajax Exchange Ratio, as applicable, based on a decrease in the market price of the applicable Target Common Stock or a reduction in the value of the applicable Target's portfolio or an increase in the price of EFC Common Stock or value of EFC's portfolio. .

The market price of EFC Common Stock after the consummation of the applicable Merger may be affected by factors different from those affecting the price of EFC Common Stock or the applicable Target Common Stock before the applicable Merger.

The market price of EFC Common Stock may decline as a result of a Merger if the applicable Combined Company does not achieve the perceived benefits of the applicable Merger or the effect of the applicable Merger on the applicable Combined Company's financial results is not consistent with the expectations of financial or industry analysts.

In addition, upon consummation of each Merger, EFC stockholders will own interests in the Combined Company operating an expanded business with a different mix of assets, risks and liabilities. Holders of EFC Common Stock may not wish to continue to invest in the Combined Company, or for other reasons may wish to dispose of some or all of their shares of EFC Common Stock. If, following the effective time of a Merger, a large amount of EFC Common Stock is sold, the price of EFC Common Stock could decline.

Further, the Combined Company's results of operations, as well as the market price of EFC Common Stock after the applicable Merger may be affected by factors in addition to those currently affecting EFC's or the applicable Target's results of operations and the market prices of EFC Common Stock and the applicable Target's Common Stock, including differences in assets and capitalization, and factors related to the other pending Merger. Accordingly, EFC's and the applicable Target's historical market prices and financial results may not be indicative of these matters for the Combined Company after the Mergers.

Directors and executive officers of EFC may have interests in each of the Mergers that are different from, or in addition to, the interests of EFC stockholders.

Directors and executive officers of EFC may have interests in each of the Mergers that are different from, or in addition to, the interests of EFC stockholders generally. Following the consummation of the Mergers, all five of the current directors of the EFC Board are expected to continue as directors of the board of directors of the Combined Company and the executive officers of EFC are expected to continue as the executive officers of the Combined Company. The Combined Company will continue to be managed by EFC Manager under the terms of EFC's management agreement, pursuant to which EFC Manager receives a management fee, which includes a "base" component and "incentive" component, and reimbursement for certain expenses incurred by it and its affiliates in rendering management services to EFC. As a result of each Merger and contribution of the surviving company of each Merger to the EFC Operating Partnership in exchange for EFC OP Units, the equity of the EFC Operating Partnership will effectively include the additional equity attributable to the acquisitions of Arlington and Great Ajax. As a result, following each Merger, the amount of the management fees payable by EFC to EFC Manager will also increase, which gives EMG and EFC Manager (and therefore, EFC's management), an incentive, not shared by EFC stockholders, to negotiate and effect each Merger, possibly on terms less favorable to EFC than would otherwise have been achieved. Each of EFC's executive officers and one of its directors also serves as an officer of EFC Manager.

Completion of the applicable Merger may trigger change in control or other provisions in certain agreements to which the applicable Target is a party.

The completion of the applicable Merger may trigger change in control or other provisions in certain agreements to which the applicable Target is a party. If EFC and the applicable Target are unable to negotiate waivers of those provisions, the counterparties may exercise their rights and remedies under the agreements, potentially terminating the agreements or seeking monetary damages. Even if EFC and the applicable Target are able to negotiate waivers, the counterparties may require a fee for such waivers or seek to renegotiate the agreements on terms less favorable to the applicable Target, and therefore, to EFC once the applicable Merger is consummated.

An adverse judgment in any litigation challenging either Merger may prevent the applicable Merger from becoming effective or from becoming effective within the expected timeframe.

It is possible that EFC stockholders or shareholders of either Target may file lawsuits challenging the applicable Merger or the other transactions contemplated by the applicable Merger Agreement, which may name EFC, the applicable Target, the EFC Board and/or the board of directors of the applicable Target as defendants. The outcome of such lawsuits cannot be assured, including the amount of costs associated with defending these claims or any other liabilities that may be incurred in connection with the litigation of these claims. If plaintiffs are successful in obtaining an injunction prohibiting the applicable parties from completing the applicable Merger on the agreed-upon terms, such an injunction may delay the consummation of the applicable Merger in the expected timeframe or may prevent the applicable Merger from being consummated altogether. Whether or not any plaintiff's claim is successful, this type of litigation may result in significant costs and divert management's attention and resources, which could adversely affect the operation of EFC's business and/or the applicable Target's business.

Risks Related to the Combined Company Following the Mergers

Following the applicable Merger, the Combined Company may be unable to realize the anticipated benefits of either or both Mergers within the anticipated timeframe or at all.

Each Merger involves the combination of two companies that currently operate as independent public companies. In agreeing to each Merger, EFC management made a number of assumptions about each Target's assets and liabilities. To the extent that EFC management overestimated the value of, and/or projected net income to be generated by, each Target's assets, and/or underestimated each Target's liabilities or was otherwise incorrect in its assumptions, the Combined Company may be unable to realize the anticipated benefits of either or both Mergers. In addition, EFC expects to benefit from certain operating expense efficiencies relating to the elimination of duplicative costs associated with supporting a public company platform and operating the businesses of EFC and the applicable Target and the spread of fixed costs across a larger equity base. The Combined Company will be required to devote significant management attention and resources to the integration of EFC's and the applicable Target's businesses. The potential difficulties the Combined Company may encounter in combining the companies include, but are not limited to, the following:

- the inability to successfully combine EFC's and the applicable Target's businesses and investment portfolios in a manner that permits the Combined Company to achieve the expense efficiencies expected to result from the applicable Merger, which would result in the anticipated benefits of the applicable Merger not being realized in the timeframe currently anticipated or at all;
- the inability of the Combined Company to successfully redeploy any capital acquired in connection with the applicable Merger and into EFC's targeted asset classes at investment returns EFC expects or in the expected timetable;
- the complexities of combining two or, if both Mergers are completed, three companies with different histories and portfolio assets;
- potential unknown liabilities of the applicable Target or associated with either Merger and unforeseen increased expenses, delays or conditions associated with either Merger; and
- performance shortfalls as a result of the diversion of management's attention caused by completing each Merger and integrating the companies' operations.

For all these reasons, you should be aware that it is possible that the combination process could result in the distraction of the Combined Company's management, the disruption of the Combined Company's ongoing business or inconsistencies in its operations, services, standards, controls, policies and procedures, any of which could adversely affect the Combined Company's ability to deliver investment returns to stockholders, to maintain relationships with its key stakeholders or to achieve the anticipated benefits of the applicable Merger, or could otherwise materially and adversely affect the Combined Company's business and financial results.

Following each Merger, the Combined Company may not pay dividends at or above the rate currently paid by EFC.

Following each Merger, the Combined Company's stockholders may not receive any dividends (or may not receive them at the same rate that EFC stockholders received dividends prior to the Merger) for various reasons, including the following:

- the Combined Company may not have enough cash to pay such dividends due to changes in its cash requirements, capital spending plans, cash flow or financial position;
- decisions on whether, when and in what amounts to make any future dividends will remain at all times entirely at the discretion of the Combined Company's board of directors, which reserves the right to change its dividend practices at any time and for any reason;

- the ability of the Combined Company to declare and pay dividends on its common stock will be subject to the preferential rights of the preferred stock of EFC and the preferential rights, if any, of holders of any other class or series of the Combined Company's capital stock; and
- the amount of dividends that the Combined Company's subsidiaries may distribute to the Combined Company may be subject to restrictions imposed by state law and restrictions imposed by the terms of any current or future indebtedness that these subsidiaries may incur.

The Combined Company's common stockholders will have no contractual or other legal right to dividends that have not been authorized by its board of directors and declared by the Combined Company.

The Combined Company will have a significant amount of indebtedness and may need to incur more in the future.

The Combined Company will have substantial indebtedness following completion of each Merger. In addition, in connection with executing its business strategies following each Merger, EFC expects to evaluate the possibility of investing in additional target assets and making other strategic investments, and it may elect to finance these endeavors by incurring additional indebtedness. The amount of such indebtedness could have material adverse consequences for the Combined Company, including:

- hindering its ability to adjust to changing market, industry or economic conditions;
- limiting its ability to access the capital markets to raise additional equity or refinance maturing debt on favorable terms or to fund acquisitions or emerging businesses;
- limiting the amount of cash flow available for future operations, acquisitions, dividends, stock repurchases or other uses;
- limiting its ability to deduct interest under Section 163(j) of the Internal Revenue Code of 1986, as amended (the "Code");
- making it more vulnerable to economic or industry downturns, including interest rate increases; and
- placing it at a competitive disadvantage compared to less leveraged competitors.

Moreover, the Combined Company may be required to raise substantial additional capital to execute its business strategy. The Combined Company's ability to arrange additional financing will depend on, among other factors, its financial position and performance, as well as prevailing market conditions and other factors beyond its control. If the Combined Company is unable to obtain additional financing, its credit ratings could be adversely affected, which could raise its borrowing costs and limit its future access to capital and its ability to satisfy its obligations under its indebtedness.

EFC is expected to incur substantial expenses related to the Mergers.

EFC and both Targets have incurred substantial legal, accounting, financial advisory and other costs, and the management teams of EFC and both Targets have devoted considerable time and effort in connection with the Mergers. EFC and the applicable Target may incur significant additional costs in connection with the completion of the applicable Merger or in connection with any delay in completing the applicable Merger or termination of the applicable Merger Agreement, in addition to the other costs already incurred. If either Merger is not completed, EFC will bear certain fees and expenses associated with the applicable Merger without realizing the benefits of the applicable Merger. If either Merger is completed, the fees and expenses may be significant and could have an adverse impact on the Combined Company's results of operations.

Although EFC has assumed that a certain level of transaction and integration expenses would be incurred, there are a number of factors beyond the control of EFC that could affect the total amount or the timing of the integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. As a result, the transaction and integration expenses associated with the applicable Merger could, particularly in the near term, exceed the savings that EFC expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the integration of the businesses following the completion of the applicable Merger.

The unaudited pro forma condensed combined financial information included elsewhere in this Current Report on Form 8-K may not be representative of the Combined Company's results after either or both Mergers and accordingly, you have limited financial information on which to evaluate the Combined Company following the Mergers.

The unaudited pro forma condensed combined financial information included elsewhere in this Current Report on Form 8-K has been presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that actually would have occurred had the Mergers been completed as of the date indicated, nor is it indicative of the future operating results or financial position of the Combined Company following the Mergers. The unaudited pro forma condensed combined financial information does not reflect future events that may occur after either or both Mergers. The unaudited pro forma condensed combined financial information presented elsewhere in this Current Report on Form 8-K is based in part on certain assumptions regarding each Merger that EFC believes are reasonable under the circumstances. However, such assumptions are based on values for mortgage assets in a market environment that is highly volatile and undue reliance should not be placed on such assumptions. EFC cannot assure you that the assumptions will prove to be accurate over time.

The Combined Company may incur adverse tax consequences if Arlington, Arlington's subsidiary REIT, Great Ajax, Great Ajax II REIT, Inc. or any other entity intended to be treated as a REIT failed to qualify as a REIT for U.S. federal income tax purposes.

EFC believes that Arlington and Great Ajax have each operated in a manner that has allowed it to qualify as a REIT for U.S. federal income tax purposes under the Code and intend to continue to do so up to the time of the applicable Merger. EFC believes that the subsidiary REIT owned by Arlington qualified as a REIT for U.S. federal income tax purposes through its liquidation on June 24, 2019 (such REIT, the "Arlington Subsidiary REIT"). Arlington has neither requested nor currently plans to request a ruling from the U.S. Internal Revenue Service (the "IRS") that it qualifies, or that the Arlington Subsidiary REIT qualified, as a REIT. Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within the control of Arlington may affect its, or the Arlington Subsidiary REIT's, ability to qualify as a REIT. In order to qualify as a REIT, Arlington must satisfy, and the Arlington Subsidiary REIT must have satisfied, a number of requirements, including requirements regarding the ownership of its stock and the composition of its gross income and assets. Also, a REIT must make distributions to stockholders aggregating annually to at least 90% of its net taxable income, excluding any net capital gains.

EFC believes that Great Ajax II REIT, Inc. (such REIT, the "Great Ajax Subsidiary REIT") has qualified as a REIT for U.S. federal income tax purposes and intends for the Great Ajax Subsidiary REIT to continue to do so. Great Ajax has neither requested nor currently plans to request a ruling from the IRS that it qualified and qualifies, or that the Great Ajax Subsidiary REIT qualified and qualifies, as a REIT. Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within the control of Great Ajax may affect its, or the Great Ajax Subsidiary REIT's, ability to qualify as a REIT. In order to qualify as a REIT, Great Ajax must have satisfied and continue to satisfy, and the Great Ajax Subsidiary REIT must satisfy and must have satisfied, a number of requirements, including requirements regarding the ownership of its stock and the composition of its gross income and assets. Also, a REIT must make distributions to stockholders aggregating annually to at least 90% of its net taxable income, excluding any net capital gains.

While EFC believes that the Arlington Subsidiary REIT qualified as a REIT under the Code, Arlington joined the Arlington Subsidiary REIT in filing a "protective" TRS election under Section 856(l) of the Code for each taxable year in which it owned an interest in such Arlington Subsidiary REIT. EFC cannot assure you that such "protective" TRS election would be effective to avoid adverse tax consequences if the Arlington Subsidiary REIT were to have failed to qualify as a REIT. Moreover, even if the "protective" election were to be effective, the Arlington Subsidiary REIT would be subject to regular corporate income tax for such taxable years. In addition, the dividends Arlington received from the Arlington Subsidiary REIT would not have qualified as good income for purposes of the 75% gross income test, and EFC cannot assure you that Arlington would not have failed to satisfy the requirement that not more than 20% of the value of its total assets may be represented by the securities of one or more TRSs. If Arlington has failed or fails (or the Arlington Subsidiary REIT failed) to qualify as a REIT and the Arlington Merger is completed, the Combined Company may inherit significant tax liabilities, because the Combined Company, as the successor by the Arlington Merger to Arlington and the Arlington Subsidiary REIT, would be subject to any corporate income tax liabilities of Arlington and the Arlington Subsidiary REIT, including penalties and interest, attributable to the years prior to the Arlington Merger that Arlington or the Arlington Subsidiary REIT failed to qualify as a REIT.

Further, if Great Ajax has failed or fails (or the Great Ajax Subsidiary REIT failed or fails) to qualify as a REIT and the Great Ajax Merger is completed, the Combined Company may inherit significant tax liabilities, because the Combined Company, as the successor by the Great Ajax Merger to Great Ajax and the Great Ajax Subsidiary REIT, would be subject to any corporate income tax liabilities of Great Ajax and the Great Ajax Subsidiary REIT, including penalties and interest, attributable to the years and the period prior to the Great Ajax Merger that Great Ajax or the Great Ajax Subsidiary REIT failed to qualify as a REIT. If any other entity intended to be treated as a REIT owned by Great Ajax failed to qualify as a REIT for U.S. federal income tax purposes, such entity would also be subject to corporate income tax liabilities and the amount available to be distributed to the Combined Company would be reduced.