Risk Factors Comparison 2025-03-31 to 2024-03-12 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

Summary of Risk Factors Risks Related ~~To~~ **to our CLO Investments and CLO Investment Activities • Our** ~~Business~~ **investments in CLO securities, particularly in mezzanine debt and equity tranches, are highly subordinated and exposed to first loss in the capital structure. These tranches are subject to the risk of total or partial write- downs in the event that underlying collateral defaults increase or deal performance deteriorates. CLO equity tranches may experience complete loss of value if coverage tests are breached or excess interest is materially reduced. • CLOs are backed by pools of corporate loans, which are typically below investment grade and may be unsecured or second- lien in nature. Borrowers of these loans are often highly leveraged and more sensitive to rising interest rates, inflation, or recessionary conditions. Defaults, covenant breaches, or restructurings among these borrowers could significantly impair CLO cash flows and valuations, especially in mezzanine and equity tranches.** • The ~~federal conservatorship~~ **CLOs in which we invest may include exposure to middle- market loans, which are generally issued by smaller, less capitalized companies with limited financial flexibility and access to capital markets. These borrowers may be particularly vulnerable to economic downturns or industry- specific stress, and loans to these companies tend to be less liquid and more volatile than broadly syndicated loans. • Many** of **the loans held in CLO portfolios are covenant- lite, meaning they lack traditional maintenance covenants. This limits the ability of CLO managers and lenders to intervene early when a borrower' s credit quality deteriorates, increasing the risk of sudden or severe losses. • CLO equity and mezzanine debt tranches rely on the generation of excess spread, which may be adversely affected by mismatches in interest rate terms between underlying floating rate assets and liabilities, the presence of interest rate floors, or fixed- rate collateral. Rising rates may also reduce the cushion between CLO tranche coupons and asset yields, compressing returns and impairing equity cash flows. • We are dependent on the collateral managers of the CLOs in which we invest. These managers are unaffiliated with us and may have interests that diverge from ours. CLO documentation often limits our ability to influence or remove a manager, even in cases of underperformance. CLO managers may be incentivized to maximize management fees rather than equity returns, and their investment decisions, including loan selection, trading activity, and reinvestment, may adversely affect deal performance. • CLOs are highly structured and complex vehicles. Each transaction is governed by a series of tests, including overcollateralization and interest coverage thresholds, which, if breached, can redirect cash flows away from the mezzanine and equity tranches to pay more senior classes. CLOs with excess exposure to CCC- rated assets or defaulted loans are at greater risk of breaching these tests, potentially resulting in extended periods of cash flow diversion and impaired valuations. • We generally do not have direct access to the underlying loan obligors, and our rights as CLO debt or equity investors are limited by the governing indentures. In the event of borrower default or CLO liquidation, recoveries may be minimal or nonexistent, particularly for junior tranches. Bankruptcy courts may also disallow or recharacterize CLO claims, further limiting recoveries. • CLO securities are subject to limited liquidity and infrequent trading. Market disruptions or reduced investor demand may impair our ability to sell positions at expected prices, or at all. Valuations for CLO securities can be volatile and may diverge from underlying fundamentals, especially during periods of broader credit market stress. • We may also invest in CLO warehouse facilities, which involve leveraging our capital during the accumulation phase prior to a CLO' s issuance. If a CLO is not successfully priced and closed, or if market conditions deteriorate during the warehousing period, we may be forced to absorb losses on accumulated assets or experience significant mark- to- market volatility. • Many of the CLOs in which we invest are domiciled outside of the U. S. or include non- U. S. borrowers, creating potential legal, regulatory, currency, and tax exposure. These CLOs may also be subject to withholding requirements or limitations on enforcement of creditor rights in certain jurisdictions. Risks Related to our Agency RMBS Investments and Agency RMBS Investment Activities • Regulatory changes affecting** Fannie Mae ~~and~~ **,** Freddie Mac ~~and related efforts, along with any changes in laws and regulations affecting the relationship between Fannie Mae, Freddie Mac~~ , and Ginnie Mae ~~and the U. S. Government,~~ could materially ~~adversely affect~~ **impact mortgage market liquidity and valuations. Any changes in their government backing, capital requirements,** ~~our~~ **or underwriting guidelines** ~~business, financial condition and results of operations, and our ability to pay dividends to our shareholders. • Certain actions by the Federal Reserve~~ could **disrupt the market for Agency RMBS** ~~materially adversely affect our business, financial condition~~ and ~~results~~ **impact the pricing** of ~~operations, and~~ our **mortgage- related assets** ~~ability to pay dividends to our shareholders~~ . • Prepayment **behavior can meaningfully affect the yield and performance of Agency RMBS. Volatility in interest** rates **, housing turnover, borrower refinancing, and servicing practices** can ~~change~~ **all impact prepayment speeds** , ~~adversely affecting~~ **potentially resulting in** the ~~performance~~ **accelerated amortization** of **premiums** ~~our~~ **or** ~~assets~~ **reduced interest income** . • Interest rate mismatches between our **fixed- rate** assets and ~~our~~ **variable- rate** borrowings **, as well as rising** ~~may reduce our income during periods of changing~~ interest rates, **can compress** ~~and increases in interest rates could adversely affect the value of our~~ **or even eliminate** ~~assets. • Interest rate caps on ARMs and hybrid ARMs, including those that back our RMBS, may reduce~~ our net interest margin ~~during periods of rising~~ **, reduce asset values, and materially adversely impact** ~~or~~ **our** ~~high interest rates~~ **business, financial condition, and ability to pay dividends** . • **Government actions, including Federal Reserve policy shifts and** ~~Mortgage~~ **mortgage** loan modification programs ~~and future legislative action may adversely affect the value of~~ , ~~and the returns on, our targeted assets. • Difficult conditions in the mortgage and residential real estate markets~~ as well as ~~general market concerns~~ **future legislative or regulatory changes,** may ~~adversely~~ **negatively** affect the **performance and** value of ~~the~~ **our**

assets **, potentially resulting** in ~~which we invest~~ **lower returns and reduced cash available for dividends** . **General Risks Related to our Investments and Investment Activities** • ~~Our assets include subordinated and lower- rated securities that generally have greater~~ **Due diligence conducted by our Manager may be limited or may fail to uncover all material** risks **or weaknesses in** ~~of loss than senior and higher- rated securities. • Less stringent underwriting guidelines and the resultant~~ potential ~~for delinquencies or defaults on certain mortgage loans could lead to losses on many of the non- Agency RMBS we hold, as well as other mortgage- related~~ investments ~~that we currently hold and / or may hold in the future. • The principal and interest payments on our non- Agency RMBS and CRTs are not guaranteed by any entity, including any government entity or GSE, and therefore are subject to increased risks, including credit risk. • Non- government guaranteed residential mortgage loans, including subprime, non- performing, and sub- performing residential mortgage loans, are subject to increased risks. • To the extent that due diligence is conducted on potential assets, such due diligence may not reveal all of the risks associated with such assets and may not reveal other weaknesses in such assets~~ , which could ~~lead to~~ **result in** losses **and materially adversely impact our business, financial condition, and ability to pay dividends** . • We rely **heavily** on **models** ~~mortgage servicers to service effectively, including loss mitigation efforts,~~ and **third- party data** ~~we also may engage in our own loss mitigation efforts with respect~~ to **evaluate** ~~whole mortgage loans~~ and ~~loan pools~~ **manage investments. These models incorporate assumptions** that ~~we~~ may **prove to** ~~purchase and such loss mitigation efforts may~~ be ~~unsuccessful~~ **incorrect, particularly during periods of volatility or when market conditions deviate from historical norms. • Asset valuations are inherently subjective** ~~or~~ **for** ~~not cost effective~~ **many of our holdings and may differ materially from observable market prices** . **Differences in methodology among dealers, pricing services, and internal estimates can result in inconsistent valuations, which directly impact our reported financial results and fee calculations. Risks Related to our Financing, Hedging and Derivative Activities** • We **use leverage to enhance returns** ~~may be affected by deficiencies in foreclosure practices of third parties~~ , ~~as~~ **but this approach increases the magnitude of potential losses during adverse market conditions. Rising interest rates or liquidity constraints could limit our ability to obtain financing on favorable terms, forcing us to** ~~well~~ **sell** ~~as related delays in the foreclosure process~~ **assets at inopportune times or reduce our investment activity** . • **Our access to financing depends** ~~Sellers of the mortgage loans that underlie the non-~~ **on** ~~- Agency RMBS~~ **the creditworthiness of our collateral and the willingness of lenders to provide credit. Disruptions** in ~~which we~~ **capital markets or changes in repo financing terms could restrict our ability to fund investments, subject us to margin calls, or force deleveraging at unfavorable prices. • Hedging strategies, including interest rate swaps and other derivatives, may not fully protect us from market fluctuations. These instruments carry counterparty risk, and regulatory changes could impact their availability, cost, or effectiveness, potentially increasing our exposure to interest rate and credit risk. Other Business Risks • We may change our** ~~invest~~ **investment** ~~may be unable to repurchase defective mortgage loans~~ **strategy, investment guidelines, hedging strategy, and asset allocation, operational, and management policies at any time without shareholder approval** , which could **impact** ~~have a material adverse effect on the value of the loans held by the trust that issued the RMBS and could cause shortfalls in the payments due on the RMBS. • If we acquire and subsequently resell any whole mortgage loans, we may be required to repurchase such loans or~~ **our business model** ~~indemnify purchasers if we breach representations~~ and ~~warranties~~ **future distributions** . • We ~~could be subject to liability~~ **operate in a competitive market** for ~~potential violations of various federal, state and local laws and regulations, including predatory lending laws, which could materially adversely affect~~ our ~~business, financial condition and results of operations, and~~ **targeted assets. Competition for attractive investment opportunities may limit** our ability to ~~pay dividends to~~ **deploy capital efficiently** ~~our~~ **or generate expected returns** ~~shareholders. • Our real estate- related assets are subject to the risks associated with real property. • We may be exposed to environmental liabilities with respect to properties in which we have an interest~~ . • We rely **heavily** ~~on analytical models and other data to analyze potential asset acquisition and disposition opportunities and to manage our portfolio. Such models and other data may be incorrect, misleading or incomplete, which could cause us to purchase assets that do not meet our expectations or to make asset management decisions that are not in line with our strategy. • Valuations of some of our assets are inherently uncertain, may be based on estimates, may fluctuate over short periods of time, and may differ from the values that would have been used if a ready market for these assets existed. • The lack of liquidity in our assets may materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. • We are highly dependent~~ on Ellington ~~'~~**'** s ~~information systems~~ and ~~those of~~ third- party service providers **' information systems** , ~~including mortgage servicers,~~ and **any cyber- attacks,** system failures **, or breaches, including those involving AI- generated outputs,** could ~~significantly~~ disrupt **operations** ~~our business~~ , ~~which could~~ **compromise sensitive data, and** materially adversely affect our business, financial condition ~~and results of operations~~ , and ~~our~~ ability to pay dividends ~~to our shareholders~~ . • ~~Our access~~ **A lack of liquidity in our assets, including certain corporate debt, equity investments, and CLOs, could make it difficult** to **sell holdings, accurately value our portfolio, or secure** financing ~~sources may not be available on favorable terms~~ , **which** may ~~be limited~~ **negatively impact** ~~or~~ **our** ~~completely shut off, and our lenders and derivative counterparties may require us to post additional collateral. These circumstances may materially adversely affect our business,~~ financial condition and ~~results of operations, and our~~ ability to pay dividends ~~to our shareholders. • Increases in interest rates could adversely affect the value of our assets and cause our interest expense to increase, and increase the risk of default on our assets, which could result in reduced earnings or losses and negatively affect our profitability as well as the cash available for distribution to shareholders. • We use leverage in executing our business strategy, which may adversely affect the return on our assets and may reduce cash available for distribution to our shareholders, as well as increase losses when economic conditions are unfavorable. • Hedging against interest rate changes and other risks could materially adversely affect our business, financial condition and results of operations and our ability to pay dividends to our shareholders. • Hedging instruments and other derivatives, including some credit default swaps, may not, in many cases, be traded on exchanges, or may not be guaranteed or regulated by any U. S. or foreign governmental authority and involve risks and costs that could result in material losses. • Our~~

~~use of derivatives may expose us to counterparty risk. • We may change our investment strategy, investment guidelines, hedging strategy, and asset allocation, operational, and management policies without notice or shareholder consent, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. In addition, our declaration of trust provides that our Board of Trustees may authorize us to revoke or otherwise terminate our REIT election without the approval of our shareholders. • An increase in interest rates may cause a decrease in the issuance volumes of certain of our targeted assets, which could adversely affect our ability to acquire targeted assets that satisfy our investment objectives and to generate income and pay dividends. • Lack of diversification in the number of assets we acquire would increase our dependence on relatively few individual assets. • Investments in second- lien mortgage loans could subject us to increased risk of losses. Risks Related to our CLO Investments • Our investments in corporate CLOs involve certain risks. • The underlying assets held by the CLOs in which we invest generally have lower credit ratings and are subject to significant credit risk. The underlying assets held by the CLOs in which we invest generally have lower credit ratings and are subject to significant credit risk. • Our corporate CLO investments may include " middle market " and / or " covenant- lite " loans. • The CLOs in which we invest are subject to risks associated with loan participations. • Our investments in the primary corporate CLO market involve certain additional risks. • We and our investments are subject to prepayment and reinvestment risk. • Our portfolio of corporate CLO investments may lack diversification, which may subject us to a risk of significant loss if one or more of these corporate CLOs experience a high level of defaults on collateral. • Failure by a CLO to satisfy certain tests, including as a result of loan defaults and / or negative loan ratings migration, may place pressure on the performance of our investments in such CLO. • Our CLO debt investments are subject to credit rating changes. • We are dependent on the collateral managers of the corporate CLOs in which we invest, and those corporate CLOs are generally not registered under the Investment Company Act. • Our CLO investments often have limited liquidity. • We and our corporate CLO investments are subject to risks associated with non- U. S. investing, including in some cases foreign currency risk. • Our manager has significant latitude in determining the types of assets we acquire, and there is no specific prohibition in our investment strategy, investment guidelines and / or the REIT qualification requirements against investing in corporate CLOs or other corporate investments~~ . Risks Related to our Relationship with our Manager and Ellington • We are dependent on **Ellington** ~~our Manager~~ and ~~certain~~ **its personnel for investment management. The loss of** key personnel ~~of Ellington that are provided to us through our~~ **or** ~~Manager and may not find a suitable replacement if our Manager terminates~~ **termination** ~~the~~ **of our** management agreement **could materially impact operations and financial performance** ~~or such key personnel are no longer available to us~~ . • There are **potential** conflicts of interest **inherent** in our ~~relationships with our~~ **structure. Our** Manager **earns fees based on our net assets** and ~~Ellington~~ **performance** , which ~~could result in~~ **may incentivize greater leverage, increased risk- taking, or asset selection** decisions that ~~are~~ **prioritize near- term income. Our Manager and Ellington may also allocate investment opportunities among multiple clients, and we may** not ~~in the best~~ **be allocated our desired share of certain assets. • Our Manager and Ellington manage multiple investment accounts, which may create conflicts of** ~~interests~~ **interest** ~~of our shareholders~~ **in allocating investment opportunities and resources** . Risks Related to ~~Our~~ **our** Common Shares • Our **ability to pay** ~~shareholders may not receive~~ dividends **depends on** ~~or~~ **our earnings, liquidity, and access to financing. Market conditions, regulatory changes, or investment losses could impair our ability to maintain our current dividend level, or to pay** dividends **at all** ~~may not grow over time~~ . • ~~An increase in~~ **The assets we acquire may be highly speculative and aggressive and may be subject to a variety of risks, including credit risk, prepayment risk,** interest ~~rates~~ **rate** ~~may have~~ **risk, and market risk. As a result,** an **investment in** ~~adverse effect on the market price of~~ our common shares **may not be suitable for investors with lower** ~~and our ability to pay dividends to our shareholders. • Investing in our common shares involves a high degree of~~ risk **tolerance** . Risks Related to ~~Our~~ **our** Organization and Structure • ~~Maintenance of our exclusion~~ **We rely on exemptions** from ~~registration as an investment company under~~ the **1940** ~~Investment Company~~ Act ~~imposes significant limitations on our operations~~ . If we were required to register as an investment company ~~under the Investment Company Act~~ , we would be subject to **significant regulatory limitations that** ~~the restrictions imposed by the Investment Company Act, which would~~ **could** require ~~us to make material~~ changes to our **structure, leverage, and operations** ~~strategy. • The ownership limits in our declaration of trust may discourage a takeover or business combination that may have benefited our shareholders~~ . • Our **organizational documents and** ~~shareholders' ability to control our operations is severely limited. • Certain provisions of~~ Maryland law ~~could inhibit a~~ **contain provisions that may discourage or prevent takeover attempts or** ~~change~~ **changes** in ~~our~~ control. ~~• Our~~ **These include limits on removal of trustees,** authorized **blank- check** ~~but unissued common and~~ preferred shares **, and restrictions under the** ~~may prevent a change in our control. • Our rights~~ **Rights** ~~and the rights of~~ **Agreement designed to protect tax attributes. Risks Related to** our **Intention to Convert to a Registered Closed- End Fund / RIC ◦ We intend to convert to a registered closed- end investment company and elect to be taxed as a regulated investment company. This conversion is subject to various conditions, including** ~~shareholders~~ **shareholder** ~~to take action against~~ **and regulatory approvals, and may not be completed as planned. Delays** ~~our~~ **or failure to complete the conversion** ~~trustees and officers or against our Manager or Ellington are limited, which~~ could ~~limit~~ **affect** ~~your~~ **our strategy, tax position, and investor expectations** ~~recourse in the event actions are taken that are not in your best interests~~ . U. S. Federal Income Tax Risks • **We revoked** ~~Your~~ **our** ~~investment~~ **REIT status effective January 1, 2024, and now operate** ~~has~~ **as** ~~various U~~ **a C corporation** . **If we** ~~S. federal, state, and local income tax risks. • Our failure~~ **failed** to qualify as a REIT **in prior years, we** ~~would~~ **could be** subject **to additional tax liabilities. We have elected to mark certain securities to market under Section 475 (f), which may accelerate taxable income or generate phantom income not matched by cash flows. • We have significant net operating loss carryforwards, but our ability to use them may be limited by changes in ownership under Section 382 of the Code or by the taxable income we generate in future years. Our CLO investments may also create tax liabilities through U. S. trade or business exposure or foreign withholding. General Risk Factors • We may be adversely affected by legal, regulatory, tax, and policy changes, including those related to global trade, systemic financial risk, climate**

change, or financial markets. We may also face legal proceedings, regulatory inquiries, or other contingent liabilities. • We rely on Ellington' s technology infrastructure and third- party vendors. Cybersecurity threats, system outages, and data breaches could disrupt operations, expose us to ~~U. S. federal, state and local income taxes, which could adversely affect the value of our common shares and could substantially reduce the cash available for distribution to our shareholders. • Complying with REIT requirements may cause us to forego or liquidate otherwise attractive investments. • Complying with REIT requirements may limit our ability~~ **liability , or damage** ~~to hedge effectively. • CLOs in which we invest could become subject to U. S. federal income tax or~~ **our** ~~withholding requirements~~ **reputation. The increasing use of AI and other emerging technologies also introduces new operational and regulatory risks that are difficult to fully anticipate** . The above list is not exhaustive, and we face additional challenges and risks. Please carefully consider all of the information in this Report, including the matters set forth below in this Item 1A. If any of the following risks occurs, our business, financial condition or results of operations could be materially and adversely affected. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us, or not presently deemed material by us, may also impair our operations and performance. In connection with the forward- looking statements that appear in our periodic reports on Form 10- Q and Form 10- K, our Current Reports on Form 8- K, our press releases and our other written and oral communications, you should also carefully review the cautionary statements referred to in such reports and other communications referred to under" Special Note Regarding Forward- Looking Statements." **We invest in corporate CLOs** ~~The payments we receive on our Agency RMBS depend upon a steady stream of payments on the underlying mortgages and such payments are guaranteed by Fannie Mae, Freddie Mac, or the Government National Mortgage Association, within the U. S. Department of Housing and Urban Development, or" Ginnie Mae." Fannie Mae and Freddie Mac are government- sponsored enterprises, or" GSEs," but their guarantees are not backed by the full faith and credit of the United States. Ginnie Mae~~ , which **exposes** guarantees MBS backed by federally insured or..... changes could have a similar impact on us ~~and our Agency RMBS. In addition, we rely on our Agency RMBS as collateral for our financings under the repos that we enter into. Any decline in their value, or perceived market uncertainty about their value, would make it more difficult for us~~ to obtain financing on our Agency RMBS on..... that would permit limited assignee liability for certain violations in the mortgage loan origination process..... future impact, investor perception of the risks associated with **corporate** ~~RMBS, other real estate- related securities and various other asset classes in which we may invest. As a result, values for RMBS, other real estate- related securities and various other asset classes in which we may invest have experienced, and may in the future experience, significant volatility. Any deterioration of the mortgage market and investor perception of the risks associated with RMBS, residential mortgage~~ loans , other real estate- related securities..... CRTs with a variety of other structures . Investments in corporate CLO securities involve certain risks. Corporate CLOs are ~~generally~~ **securitizations that are typically** backed by a pool of corporate loans or similar corporate credit- related assets that serve as collateral. We and other investors in CLO securities..... more senior tranches of the CLO. The assets underlying our CLO investments ~~are generally rated for creditworthiness by one or more nationally recognized statistical ratings organizations (" NRSROs "), including Moody' s, Standard and Poor' s, and Fitch. These assets~~ generally consist of lower- rated first ~~-~~ lien corporate loans, although certain CLO structures may also allow for limited exposure to other asset classes including unsecured loans, second ~~-~~ lien loans, or corporate bonds **. To the extent that the assets underlying our CLO investments are rated for creditworthiness by any nationally recognized statistical ratings organizations, they generally carry lower credit ratings and certain assets may not be rated by any nationally recognized statistical ratings organization. As a result, the assets underlying our CLO investments are considered to bear significant credit risks** . Corporate issuers of lower- rated debt securities may be highly leveraged and may not have ~~available~~ **access** to ~~them~~ more traditional methods of financing. During economic downturns or sustained periods of rising interest rates, issuers of lower- rated debt securities may be likely to experience financial stress, especially if such issuers are highly leveraged ~~. In~~ **, and in** such periods ~~,~~ the market for lower- rated debt securities could be severely disrupted, adversely affecting the value of such securities ~~, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders~~ . The risk of loss for lower- rated debt securities is also magnified to the extent that such securities are unsecured or subordinated to more senior creditors. Lower- rated debt securities generally have limited liquidity and limited secondary market support. **These risks are further exacerbated in the case of** ~~Second~~ **second -** lien loans **, as** ~~are secured by liens on the~~ **they** ~~collateral securing the loan that~~ are subordinated to ~~the liens of at least one other class of obligations of the related obligor. Thus, the ability of the second lien debtholders to exercise remedies after a second lien loan becomes a defaulted obligation is subordinated to, and limited by, the rights of the senior creditors holding such other classes of obligations. In many circumstances, the second lien debtholders may be prevented from foreclosing on the collateral securing a second lien loan until the related~~ first ~~- lien loan is paid in full. Moreover, any amounts that might be realized as a result of collection efforts or in connection with a bankruptcy or insolvency proceeding involving a second lien loan must generally be turned over to the first lien secured lender until the first lien secured lender has realized the full value of its own claims. In addition, certain second~~ lien loans ~~contain provisions requiring~~ **and have weaker recovery prospects in the event of borrower distress or default. Further, ratings downgrades on our CLO debt investments may result in our investments being viewed as riskier than** ~~the~~ **they** ~~related lien~~ **were previously thought** to be ~~released in certain circumstances~~ . ~~These lien and payment obligation subordination provisions may materially and~~ **This perception of increased riskiness resulting from a downgrade can result in** ~~adversely~~ -- **adverse impacts** ~~affect the ability of the second lien debtholders~~ to ~~realize~~ **the market** value ~~from second lien loans. In the event of a bankruptcy or insolvency of an~~ **and** ~~issuer~~ **liquidity** of ~~a loan or~~ **our** ~~of an underlying asset held by a~~ CLO **debt investments, as well as reduce the availability or increase the cost of financing our CLO debt investments. The CLOs** in which we invest, ~~a court or other governmental entity~~ may **acquire** ~~determine that the related claims held by such CLO are not valid, or are subject to significant modification. In addition, any payments previously received by such CLO could be subject to avoidance as a " preference " if made within a certain period of time (which may be as long as one year under U. S.~~

~~Federal bankruptcy law or even longer under state laws) before insolvency. The underlying assets in a CLO in which we are invested may be subject to various laws for the protection of debtors in other jurisdictions, including the jurisdiction of incorporation of the issuer or borrower of such underlying assets and, if different, the jurisdiction from which it conducts business and in which it holds assets, any of which may adversely affect such issuer' s or borrower' s ability to make, or a creditor' s ability to enforce, payment in full, on a timely basis or at all. These insolvency considerations will differ depending on the jurisdiction in which an issuer or borrower or the related underlying assets are located and may differ depending on the legal status of the issuer or borrower. Our CLO investments are exposed to changes in interest rates. Even though we expect that most of our CLO mezzanine debt investments will have floating rate coupons, these and other of our CLO investments are still exposed to interest rate risk. There can be significant mismatches between the timing and frequency of coupon resets on the floating rate CLO debt tranches and the underlying floating rate corporate loans, and furthermore some of the underlying corporate loans may bear fixed coupon rates. When interest rates are low but increasing, variations between interest rate floors on the CLO debt tranches and the underlying corporate loans can reduce the amount of excess interest available for payment to the CLO debt and equity tranches. This reduction in excess interest could adversely impact our CLO equity cashflows and valuations, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. The underlying collateral of the corporate CLO securities in which we invest may include~~ loans to smaller companies, or " middle market " loans, which may carry more inherent risks than loans to larger, publicly traded entities. Compared to larger companies, these middle- market companies tend to have more limited access to capital, weaker financial positions, narrower product lines, and tend to be more vulnerable to competitors' actions and market conditions, as well as to general economic downturns. As a result, the securities issued by CLOs that hold significant investments in middle-market loans are generally considered riskier than securities issued by CLOs that primarily invest in broadly syndicated loans. ~~We and other investors in CLO securities ultimately bear the credit risk of the underlying collateral.Most CLOs are issued in multiple tranches,offering investors various maturity and credit risk characteristics,often categorized as senior,mezzanine and subordinated / equity according to their relative seniority and degree of risk.If the relevant collateral defaults or otherwise underperforms,payments to the more senior tranches of such securitizations take precedence over those of more junior tranches,such as mezzanine debt and equity tranches,which are the focus of our investment strategy.CLOs present risks similar to those of other types of credit investments,including credit,interest rate and prepayment risks.~~ The corporate loans that underlie our CLO investments may become nonperforming or impaired for a variety of reasons.Nonperforming or impaired loans may require substantial workout negotiations or restructurings that may result in significant delays in repayment,a significant reduction in the interest rate,and / or a significant write- down of the principal of the loan.A wide range of factors could adversely affect the ability of an underlying corporate borrower to make interest or other payments on its loan.The corporate issuers of the loans or securities underlying our CLO investments may be **highly leveraged and may be** subject to an increased risk of default depending on certain micro- or macro- economic conditions,such as economic recessions,heightened interest rates and / or inflation, **tariffs,** and other conditions **.The risk of economic recession and declining creditworthiness of corporate borrowers would be amplified by rising corporate default rates,tightening credit conditions,and potential credit downgrades in leveraged loan markets.Accordingly,the subordinated and lower- rated (or unrated) CLO securities in which we invest may experience significant price and performance volatility relative to more senior or higher- rated CLO securities,and they are subject to greater risk of loss than more senior or higher- rated CLO securities which,if realized,could materially adversely affect our business,financial condition and results of operations,and our ability to pay dividends to our shareholders** .Such defaults and losses,especially those in excess of the market' s or our expectations,would have a negative impact on the ~~fair~~ value of our CLO investments,and reduce the cash flows that we receive from our CLO investments,which could materially adversely affect our business,financial condition and results of operations,and our ability to pay dividends to our shareholders. ~~In addition~~ In addition, **if a CLO in which we invest experiences an event of default as a result of the CLO' s failure to make a payment when due, the erosion of the CLO' s underlying collateral, or other reasons, the CLO would be subject to the possibility of liquidation. In such cases, the risks are heightened that the collateral underlying the CLO may not be able to be readily liquidated, or that when liquidated, the resulting proceeds would be insufficient to redeem in full the CLO mezzanine debt and equity tranches that are the focus of our investment strategy. CLO equity tranches often suffer a loss of all of their value in these circumstances, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. Furthermore, following an event of default by a CLO, the holders of CLO mezzanine debt and equity tranches typically have limited rights regarding decisions made with respect to the underlying collateral, with the result that such decisions might favor the more senior tranches of the CLO. In the event of a bankruptcy or insolvency of an issuer of a loan or of an underlying asset held by a CLO in which we invest, a court or other governmental entity may determine that the related claims held by such CLO are not valid, or are subject to significant modification. In addition, any payments previously received by such CLO could be subject to avoidance as a " preference " if made within a certain period of time (which may be as long as one year under U. S. Federal bankruptcy law or even longer under state laws) before insolvency. Further,"** covenant- lite **"** loans may comprise a significant portion of the underlying collateral of the CLOs in which we invest. Generally, covenant- lite loans provide the obligor with more freedom to take actions that could negatively impact their lenders because the obligor **'** s covenants are incurrence- based and not maintenance- based, which means that they are only tested and can only be breached following an affirmative action of the borrower, rather than by a deterioration in the borrower' s financial condition. At times, covenant- lite loans have represented a significant majority of the **syndicated corporate loan** market. To the extent that the corporate CLO securities in which we invest hold covenant- lite loans, we may have a greater risk of loss on such investments as compared to investments in CLOs holding loans with more robust covenants. The CLOs in which we invest may **also** acquire interests in corporate loans indirectly, by way of participations. In a

participation, the underlying debt obligation remains with the institution that has sold ~~us~~ the participation, which typically results in a contractual relationship only with such selling institution, and not with the corporate obligor directly. As a result, the holder of a participation assumes the credit risk of both the obligor and the selling institution, and may only have limited rights to influence any decisions made by the selling institution in connection with the underlying debt obligation **. Our CLO investments are subject to risks related to the financial leverage employed by the underlying corporate borrowers. The corporate borrowers of the underlying assets in a CLO are typically highly leveraged, and there may be few or no restrictions on the amount of indebtedness such borrowers can incur. Substantial indebtedness adds additional risk with respect to a borrower and could (i) limit its ability to borrow money or otherwise access funds for its working capital, capital expenditures, debt service requirements, strategic initiatives or other purposes; (ii) require it to dedicate a substantial portion of its cash flow from operations to the repayment of its indebtedness, thereby reducing funds available to it for other purposes; (iii) make it more highly leveraged than some of its competitors, which may place it at a competitive disadvantage; and / or (iv) subject it to restrictive financial and operating covenants, which may preclude it from executing on favorable business activities or from financing future operations or other capital needs. In some cases, proceeds of indebtedness incurred by a borrower could be paid as a dividend to its equity holders rather than retained by the borrowers for its working capital or to pursue favorable opportunities. Highly leveraged companies are often more sensitive to declines in revenues, increases in expenses, and adverse business, political, or financial developments or economic factors such as a significant rise in interest rates, a severe downturn in the economy, or deterioration in the condition of such companies or their industries. A leveraged company' s income and net assets will tend to increase or decrease at a greater rate than if borrowed money were not used. If an underlying borrower is unable to generate sufficient cash flow to meet principal and / or interest payments on its indebtedness, it may be forced to take other actions to satisfy its obligations under its indebtedness. These alternative actions may include reducing or delaying capital expenditures, selling assets, seeking additional capital, or restructuring or refinancing indebtedness. Any of these actions could significantly reduce the value of the related underlying asset held by the CLO, and thus the CLO security we hold. Furthermore, if the borrower is unable to meet its scheduled debt service obligations even after taking these actions, the borrower may be forced into liquidation, dissolution or insolvency, and the value of the related underlying asset held by the CLO, and thus the CLO security we hold, could decline significantly or even be rendered worthless. The CLOs in which we invest may be subject to risks associated with syndicated loans. Under the documentation for syndicated loans, a financial institution or other entity typically is designated as the administrative agent and / or collateral agent. This agent is granted a lien on any collateral on behalf of the other lenders and distributes payments on the indebtedness as they are received. The agent is the party responsible for administering and enforcing the loan and generally may take actions only in accordance with the instructions of a majority or two- thirds in commitments and / or principal amount of the associated indebtedness. In most cases for our syndicated loan investments, we do not expect to hold a sufficient amount of the indebtedness to be able to compel any actions by the agent. Consequently, we would only be able to direct such actions if instructions from us were made in conjunction with other holders of associated indebtedness that together with us compose the requisite percentage of the related indebtedness then entitled to take action. Conversely, if holders of the required amount of the associated indebtedness other than us desire to take certain actions, such actions may be taken even if we did not support such actions. Furthermore, if a syndicated loan is subordinated to one or more senior loans made to the applicable obligor, our ability to exercise such rights may be subordinated to the exercise of such rights by the senior lenders. Whenever we are unable to direct such actions, the parties taking such actions may not have interests that are aligned with us, and the actions taken may not be in our best interests. Furthermore, in recent years, " priming " transactions in the distressed debt sector have become more common. These " priming " arrangements are transactions where a group of debtholders can move collateral away from existing lenders so that it can serve as the primary source of secured assets for new money and / or restructuring existing debt. If we were to hold distressed debt that became " primed " by another group of lenders, we could lose all or a significant part of such investment. If an investment is a syndicated revolving loan or delayed drawdown loan, other lenders may fail to satisfy their full contractual funding commitments for such loan, which could create a breach of contract, result in a lawsuit by the obligor against the lenders and adversely affect the value of our investment. There is a risk that a loan agent may become bankrupt or insolvent. Such an event would delay, and possibly impair, any enforcement actions undertaken by holders of the associated indebtedness, including attempts to realize upon the collateral securing the associated indebtedness and / or direct the agent to take actions against the related obligor or the collateral securing the associated indebtedness and actions to realize on proceeds of payments made by obligors that are in the possession or control of any other financial institution. In addition, we may be unable to remove the agent in circumstances in which removal would be in our best interests. Moreover, agented loans typically allow for the agent to resign with certain advance notice, and we may not find a replacement agent on a timely basis, or at all, in order to protect our investment. Our investments in corporate CLOs involve certain structural risks. Most CLOs are issued in multiple tranches, offering investors various maturity and credit risk characteristics, often categorized as senior, mezzanine and subordinated / equity according to their relative seniority and degree of risk. If the relevant collateral defaults or otherwise underperforms, payments to the more senior tranches of such securitizations take precedence over those of more junior tranches, such as mezzanine debt and equity tranches, which are the focus of our corporate CLO investment strategy. CLOs present risks similar to those of other types of credit investments, including credit, interest rate and prepayment risks. See" — We invest in corporate CLOs, which exposes us to certain risks associated with corporate loans. " Even though we expect that most of our CLO mezzanine debt investments will have floating rate coupons, these and other of our CLO investments are still exposed to interest rate risk. There can be**

significant mismatches between the timing and frequency of coupon resets on the floating rate CLO debt tranches and the underlying floating rate corporate loans, and furthermore some of the underlying corporate loans may bear fixed coupon rates. When interest rates are low but increasing, variations between interest rate floors on the CLO debt tranches and the underlying corporate loans can reduce the amount of excess interest available for payment to the CLO debt and equity tranches. This reduction in excess interest could adversely impact our CLO equity cashflows and valuations, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. CLOs have at times experienced negative credit events in their constituent loans, credit rating downgrades of constituent loans and issued debt tranches, and failures of certain deal metrics. The failure by a CLO in which we invest to satisfy certain tests, including with respect to adequate collateralization and / or interest coverage, would generally lead to a reduction in the payments made to holders of its mezzanine debt and equity tranches. Our investments in the primary corporate CLO market involve certain additional risks . Between the pricing date and the closing date of a corporate CLO, the collateral manager generally purchases additional assets for the CLO. During this period, the price and availability of these assets may be adversely affected by a number of market factors, including price volatility and availability of investments suitable for the CLO, which could hamper the ability of the collateral manager to acquire a portfolio of assets that will satisfy specified concentration limitations and allow the CLO to reach the target initial principal amount of collateral prior to the effective date. An inability or delay in reaching the target initial principal amount of collateral may adversely affect the timing and amount of payments received by the holders of CLO mezzanine debt securities and equity securities and could result in early redemptions which could cause significant principal losses on the CLO mezzanine debt and equity securities, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. **We and our investments are subject to prepayment and reinvestment risk.** As part of the ordinary management of its portfolio, a CLO will typically generate cash flow from asset repayments and sales that is reinvested into substitute assets, subject to compliance with its investment tests and certain other conditions. If the CLO collateral manager causes the CLO to purchase substitute assets at a lower yield than those initially acquired, the excess interest- related cash flow available for distribution to the CLO equity tranches would decline. In addition, prepayment rates of the assets underlying a CLO are driven by a number of factors, including changing interest rates and other factors that are beyond our control. Furthermore, in most CLO transactions, CLO debt investors are subject to the risk that the holders of a majority of the equity tranche can direct a call or refinancing of a CLO, causing such CLO' s outstanding CLO debt securities to be repaid at par earlier than expected. This and other factors can cause considerable uncertainty in the average lives of the CLO tranches in which we invest **. Our portfolio of corporate CLO investments may lack diversification, which may subject us to a risk of significant loss if one or more of these corporate CLOs experience a high level of defaults on collateral** . Because we do not have fixed guidelines for diversification, we do not have any limitations on the ability to invest in any one CLO, and our investments may be concentrated in relatively few CLOs, CLOs that have similar risk profiles (including by being concentrated in a limited number of industries), CLOs where there is an overlap of underlying corporate issuers or CLOs that are managed by the same collateral manager. The overlap of underlying corporate issuers is often more prevalent across CLOs of the same year of origination, as well as across CLOs managed by the same asset manager or collateral manager. To the extent that our CLO investments are ~~less diversified~~ **more concentrated** , we are susceptible to a greater risk of loss if one or more of the CLOs in which we are invested performs poorly, or in the event a CLO collateral manager were to fail, experience the loss of key employees or sell its business. To the extent we invest in CLOs that have a high level of overlap of underlying corporate obligors, there is a greater likelihood of experiencing multiple defaults in our CLO portfolio **. In general, to the extent that our CLO portfolio is less diversified, we may have a greater likelihood of experiencing large overall losses** , which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders **. Failure by a CLO to satisfy certain tests, including as a result of loan defaults and / or negative loan ratings migration, may place pressure on the performance of our investments in such CLO** . The failure by a CLO in which we invest to satisfy certain tests, including with respect to adequate collateralization and / or interest coverage, would generally lead to a reduction in the payments made to holders of its mezzanine debt and equity tranches. In a typical corporate CLO, nonperforming assets, or performing assets rated " CCC " or lower (or their equivalent) in excess of applicable limits, typically do not receive full par credit for purposes of calculation of the CLO' s overcollateralization tests. As a result, if an asset were to default, or an asset' s credit rating were to decrease to a lower credit rating level, also known as" negative rating migration," it could cause a CLO to move out of compliance with some or all of its overcollateralization tests. CLOs are also generally subject to interest coverage tests, under each of which the interest income generated by the underlying assets is compared to the interest owed to a given CLO tranche and all tranches more senior to it. To the extent that any overcollateralization tests or interest coverage tests are breached, cash flows could be diverted away from the CLO mezzanine debt and equity tranches in favor of the more senior CLO debt tranches until and unless such breaches are cured, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. ~~Our investments in CLO debt tranches are subject to credit rating upgrades or downgrades by the NRSROs. Ratings downgrades on our CLO debt investments may result in our investments being viewed as riskier than they were previously thought to be. This perception of increased riskiness resulting from a downgrade can result in adverse impacts to the market value and liquidity of our CLO debt investments, as well as reduce the availability or increase the cost of repo financing for our CLO debt investments.~~ CLO investments involve complex documentation **, and complex accounting considerations** . CLOs are often governed by a complex series of legal documents and contracts. As a result, the risk of dispute over the interpretation or enforceability of the documentation may be higher relative to other types of investments. Further, the complex structure of a particular security may not be fully understood at the time of investment and may produce disputes with the issuer or unexpected investment results, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay

dividends to our shareholders **. The accounting calculations related to our CLO investments are complex in numerous ways. For instance, under GAAP, we calculate our interest income — which is a component of the calculation used to determine the performance fee payable to our Manager — based on effective yield calculations. These calculations involve significant judgment in projecting expected cash flows. If an investment underperforms expectations, we may accrue more interest income than we ultimately realize on such investment, and pay our Manager a higher performance fee than we otherwise would have if different projections had been used. The risks associated with the accounting complexities include inaccurate financial reporting, such as incorrect accruals, reserves and estimates, or the misapplication of accounting standards. These issues could lead to the miscalculation of fees, potentially in favor of our Manager, and could necessitate a financial restatement. Financial restatements are often costly and time- consuming, and they may lead to regulatory scrutiny, legal proceedings, or shareholder litigation. In addition, a restatement could result in a loss of investor confidence, which would negatively impact our reputation in the marketplace and impair our ability to raise capital on favorable terms in the future. A financial restatement could also trigger a significant decline in the price of our common shares, eroding shareholder value and potentially exacerbating financial and reputational damage. These events could materially adversely affect our business, financial condition and results of operations, as well as our ability to pay dividends to our shareholders. We are dependent on the collateral managers of the corporate CLOs in which we invest** . We invest in CLO securities issued by CLOs that are managed by collateral managers unaffiliated with us, and we are dependent on the skill and expertise of such managers. While the actions of the CLO collateral managers may significantly affect the return on our investments, we typically do not have any direct contractual relationship with these collateral managers. While we also rely on these collateral managers to act in the best interests of the CLOs in which we invest, there can be no assurance that such collateral managers will do so. Moreover, such collateral managers are subject to fiduciary duties owed to other classes of notes besides those in which we invest, and they may have other incentives to manage the CLO portfolios in a manner that disadvantages the particular classes of notes in which we are invested. Furthermore, since the CLO issuer often provides an indemnity to its collateral manager, the CLO tranches we hold may ultimately bear the burden of any legal claims brought against the collateral manager ~~, including any legal claims brought by us. In addition, the CLOs in which we invest are generally not registered as investment companies under the Investment Company Act. As investors in these CLOs, we are not afforded the protections that shareholders in an investment company registered under the Investment Company Act would have~~ . We may only have limited information regarding the underlying assets held by the CLOs in which we invest, and collateral managers may not identify or report issues relating to the underlying assets on a timely basis (or at all) to enable us to take appropriate measures to manage our risks. ~~Further~~ **Furthermore** , ~~none~~ **much** of ~~the information contained in certain monthly reports nor any other~~ -- **the** ~~financial~~ information furnished to us as an investor in a corporate CLO is **neither** audited ~~and or~~ **nor** reviewed, nor is an opinion expressed, by an independent public accountant. Collateral managers are subject to removal or replacement by other holders of CLO securities without our consent and may also voluntarily resign as collateral manager or assign their role as collateral manager to another entity. The removal, replacement, resignation, or assignment of any particular CLO **collateral** manager' s role could adversely affect the returns on the CLO securities in which we invest, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders **. Our CLO investments often have limited liquidity** . We expect to focus our CLO investment activity in mezzanine debt and equity tranches, which have less liquidity than many other securities, including as a result of lower **or no** trading ~~volumes~~ **volume** , transfer restrictions, and their bespoke nature. This illiquidity results in price volatility and can make it more difficult to value or sell these securities if the need arises, which could require us to realize a greater loss if we are ever required to liquidate such assets, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. The CLOs in which we invest incur significant operating expenses. The CLOs in which we invest incur significant operating **fees and** expenses, including but not limited to collateral management fees, administrative expenses, and other operating expenses **, which are all indirectly borne by CLO investors** . ~~As~~ **CLO collateral management base fees, which typically range from 0. 30 % to 0. 50 % of a CLO' s total assets, are charged on the CLO' s total assets and are usually paid from residual cash flows after interest payments to senior debt tranches. Additional CLO operating expenses, estimated at 0. 30 % to 0. 70 %, may also apply, although** ~~the~~ **these** ~~most subordinated~~ **are not routinely reported in a standardized manner. Furthermore, CLO collateral managers may also earn incentive fees tied to equity cash flows once the equity** tranche ~~,~~ **achieves a cash- on- cash return of capital and a specified " hurdle " rate. All of these fees and expenses are borne first by** the CLO equity tranche ~~typically bears~~ **due to its subordinated position. Given that** the ~~primary burden~~ **CLO equity tranche represents only a fraction** of **the value of the entire CLO,** these **fees and** expenses ~~, although such expenses can also be borne by~~ **are greatly magnified when expressed as a percentage of the value of the CLO equity tranche. Both types of CLO tranches we invest in (equity tranches and** mezzanine debt tranches ~~to~~ **) bear these expenses, with the equity tranche — being the most subordinated — usually shouldering these costs. To** the extent that the CLO equity tranche **has suffered or will** ~~suffers~~ **suffer** a total principal loss **, mezzanine debt tranches will then effectively bear these fees and expenses. In addition to the collateral management fees, administrative expenses, and other operating expenses accrued in a CLO, we will also remain obligated to pay the Base Management Fee and the Performance Fee to our Manager. Therefore, each shareholder bears his or her share of the Base Management Fee and the Performance Fee of our Manager as well as indirectly bearing the ratable share of the collateral management fees, administrative expenses, and other operating expenses of a CLO. We and our corporate CLO investments are subject to risks associated with non- U. S. investing, including in some cases foreign currency risk** . While we invest primarily in CLOs that hold underlying U. S. assets, we may also invest in corporate CLOs that hold non- U. S. assets, and we expect that many of the CLO issuers in which we invest will be domiciled outside the United States. Investing directly or indirectly in non- U. S. issuers may expose us to additional risks, including political and social instability,

expropriation, imposition of foreign taxes, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards, currency fluctuations and greater price volatility. Further, we, and the CLOs in which we invest, may have difficulty enforcing creditor' s rights in foreign jurisdictions. A portion of our CLO investments (and the income and gains received by us in respect of such investments) may be denominated in currencies other than the U. S. dollar. Accordingly, changes in foreign currency exchange rates may materially adversely affect the value of these investments. ~~Our investments in corporate CLOs may result in our recognizing taxable income prior to receiving cash distributions related to such income. The tax implications of the corporate~~ CLOs in which we invest **could become subject to U** ~~are complex and, in some circumstances, unclear~~ . **S. federal** ~~In particular, we may recognize taxable~~ income **tax** ~~on certain of our~~ **or withholding requirements** ~~CLO investments without the concurrent receipt of cash~~ . The CLO issuers in which we invest will generally operate pursuant to investment guidelines intended to ensure that the CLO is not treated for U. S. federal income tax purposes as engaged in a U. S. trade or business. If a CLO issuer fails to comply with the investment guidelines, or if the Internal Revenue Service otherwise successfully asserts that the CLO should be treated as engaged in a U. S. trade or business, such CLO could be subject to U. S. federal income tax, which could reduce the amount available to distribute to mezzanine debt and equity holders in such CLO, including us. The U. S. Foreign Account Tax Compliance Act provisions of the Code impose a withholding tax of 30 % on certain U. S. source periodic payments, including interest and dividends, to certain non- U. S. entities, including certain non- U. S. financial institutions and investment funds, unless such non- U. S. entity complies with certain reporting requirements regarding its U. S. account holders and its U. S. owners. Most CLOs in which we invest will be treated as non- U. S. financial entities for this purpose, and therefore will be required to comply with these reporting requirements to avoid the 30 % withholding. If a CLO in which we invest fails to properly comply with these reporting requirements, certain payments received by such CLO may be subject to the 30 % withholding tax, which could reduce the amount available to distribute to equity and mezzanine debt holders in such CLO, including us. **We are subject to risks associated with loan accumulation facilities. We may invest capital in CLO warehouse facilities, otherwise known as loan accumulation facilities, or" LAFs." LAFs are generally short- to medium- term financing facilities provided by the investment bank that will ultimately serve as the arranger on a CLO transaction. Utilizing equity capital provided by the LAF investors and debt financing provided by the investment bank, LAFs acquire corporate loans and other similar corporate credit- related assets in anticipation of ultimately collateralizing a CLO transaction. This period of accumulating assets, often known as the" warehouse period," typically terminates when the CLO vehicle issues various tranches of debt and equity securities to the market, using the issuance proceeds to repay the investment bank financing. Investments in LAFs have risks similar to those applicable to investments in CLOs, and the risk of losses is magnified as a result of the leveraged and first- loss nature of these facilities. Further, in the event that the corporate credit assets accumulated by a LAF are not eligible for purchase by the planned CLO, or in the event that the planned CLO is not issued, the LAF investors may be responsible for either holding or disposing of said assets, exposing us to credit and / or mark- to- market risk. This scenario may become more likely in times of economic distress or when the loans comprising the collateral pool of such warehouse, even if still performing, may have declined materially in market value, and we may suffer a loss upon the disposition of these assets. The occurrence of any of the foregoing or similar events could affect our investments in LAFs and, consequently, could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. We may invest in corporate loans directly. In addition to gaining exposure to corporate loans through investments in CLO securities, we may also invest in corporate loans directly. In some cases, these loan investments may result from asset sales or in- kind distributions from CLOs in which we have invested, but in other cases we may acquire such loans directly in the open market.** To ~~maintain our qualification~~ **the extent we invest in corporate loans directly, we will be exposed to all of the risks associated with corporate loans that CLOs are exposed to,** as ~~a REIT~~ **described above. See " — We invest in corporate CLOs, which exposes us to certain risks associated with corporate loans. "; " — Our CLO investments are subject to risks related to the financial leverage employed by the underlying corporate borrowers. "** and **" — The CLOs in which we invest may be subject to risks associated with syndicated loans. " If a CLO in which we invest is treated as engaged in a U. S. trade or business for U. S. federal income tax purposes, such CLO could be subject to U. S. federal income tax on a net basis, which could affect our operating results and cash flows. It is generally expected that the CLOs in which we invest will operate pursuant to investment guidelines intended to** avoid **such CLOs** being treated **violations in the mortgage** loan origination process,legislation that would allow judicial modification of loan principal in the event of personal bankruptcy,or legislation relating to the handling of escrow accounts.We cannot predict whether or in what form Congress or the various state and local legislatures may enact legislation affecting our business or whether any such legislation will require us to change our practices or make changes in our portfolio in the future.These changes,if required,could materially adversely affect our business,results of operations and financial condition,and our ability to pay dividends to our shareholders,particularly if we make such changes in response to new or amended laws,regulations or ordinances in any state where we acquire a significant portion of our mortgage loans,or if such changes result in us being held responsible for any violations in the mortgage loan origination process.The existing loan modification programs,together with future legislative or regulatory actions,including possible amendments to the bankruptcy laws,which result in the modification of outstanding residential mortgage loans and / or changes in the requirements necessary to qualify for refinancing mortgage loans with Fannie Mae,Freddie Mac,or Ginnie Mae,may adversely affect the value of,and the returns on,our assets,which could materially adversely affect our business,financial condition and results of operations,and our ability to pay dividends to our shareholders. ~~Difficult conditions in the mortgage and residential real estate markets as well as general market concerns may adversely affect the value of the assets in which we invest.~~ Our business is materially affected by conditions in the residential mortgage market,the residential real estate market,the financial markets,and the economy,including inflation,interest rates,energy costs,unemployment,geopolitical issues ~~,tariffs~~ ,concerns over the

creditworthiness of governments worldwide and the stability of the global banking system.In particular,the residential mortgage market in the U.S.has experienced a variety of difficulties and challenging economic conditions in the past,including defaults,credit losses,and liquidity concerns.Certain commercial banks,investment banks,insurance companies,loan origination companies and mortgage- related investment vehicles incurred extensive losses from exposure to the residential mortgage market as a result of these difficulties and conditions.These factors **,along with the abrupt failure of more than one regional bank in the U.S.,** have impacted,and may in **the future impact,investor perception of the** as an investment company under the **1940** ~~Investment Company~~ Act **. In addition** , **if there is a contraction in the overall availability of financing for our assets,including if the regulatory capital requirements imposed on our lenders change or our shareholders' equity decreases to levels that make us a less attractive financing counterparty,our lenders may significantly increase the cost of the financing that they provide to us,increase the amounts of collateral they require as a condition to providing us with financing,or even cease providing us with financing.Our lenders also have revised,and may continue to revise,their eligibility requirements for the types of assets that they are willing to finance or the terms of such financing arrangements,including increased haircuts and requiring additional cash collateral,based on,among other factors,the regulatory environment and their management of actual and perceived risk,particularly with respect to assignee liability.Moreover,the amount of financing that we receive under our financing agreements will be directly related to our lenders' valuation of the financed** assets subject to such agreements.Typically,the master repurchase agreements that govern our borrowings under repurchase agreements grant the lender the right to reevaluate the fair market value of the financed assets subject to such repurchase agreements at any time.If a lender determines that the net decrease in the value of the portfolio of financed assets is greater in magnitude than any applicable threshold,it will generally initiate a margin call.In such cases,a lender' s valuations of the financed assets may be different than the values that we ascribe to these assets and may be influenced by recent asset sales at distressed levels by forced sellers.A valid margin call requires us to transfer cash or additional qualifying collateral to a lender or to repay a portion of the outstanding borrowings.If we were to dispute the validity of a margin call from a lender under one of our repo agreements and refuse to deliver margin collateral as a result,a lender could still send us a notice of default.In this situation,such lender will have possession of the financed assets,and might still decide to exercise its contractual remedies,despite the margin dispute.In the event of our default,our lenders or derivative counterparties can accelerate our indebtedness,terminate our derivative contracts (potentially on unfavorable terms requiring additional payments,including additional fees and costs),increase our borrowing rates,liquidate our collateral,and terminate our ability to borrow.In certain cases,a default on one repo agreement or derivative agreement (whether caused by a failure to satisfy margin calls or another event of default) can trigger" cross defaults" on other such agreements.In addition,if the market value of our derivative contracts with a derivative counterparty declines in value,we generally will be subject to a margin call by the derivative counterparty.Significant margin calls and / or increased repo haircuts could have a material adverse effect on our results of operations,financial condition,business,liquidity,and ability to make distributions to our shareholders,and could cause the value of our common shares to decline.During March and April of 2020,we observed that many of our financing agreement counterparties assigned lower valuations to certain of our assets,resulting in us having to pay cash to satisfy margin calls,which were higher than historical levels.In addition,during March and April of 2020 we also experienced an increase in haircuts on repurchase agreements that we rolled.A sufficiently deep and / or rapid increase in margin calls or haircuts would have an adverse impact on our liquidity.Consequently,depending on market conditions at the relevant time,we may have to rely on additional equity issuances to meet our capital and financing needs,which may be dilutive to our shareholders,or we may have to rely on less efficient forms of debt financing that consume a larger portion of our cash flow from operations,thereby reducing funds available for our operations,future business opportunities,cash distributions to our shareholders,and other purposes. ~~We cannot~~ **There can be no** ~~assure~~ **assurance** ~~you~~ that we will have access to such equity or debt capital on favorable terms (including,without limitation,cost and term) at the desired times,or at all,which may cause us to curtail our asset acquisition activities and / or dispose of assets,which could materially adversely affect our business,financial condition and results of operations,and our ability to pay dividends to our shareholders,or in the worst case,cause our insolvency. **Hedging against** ~~Our operating results will depend in large part on the difference between the income from our assets,net of credit losses,and financing costs.We anticipate that,in many cases,the income from our assets will respond more slowly to~~ interest rate ~~fluctuations than the cost of our borrowings.Consequently,~~ changes ~~in interest rates,particularly short- term interest rates,to the extent not offset by our interest rate hedges,may significantly influence our financial results.We use leverage to finance our investment activities~~ and ~~to enhance our financial returns.Currently,all of our leverage is in the form of short- term repos for our RMBS and CLO assets.Other~~ **other risks** ~~forms of leverage we may use in the future include credit facilities,including term loans and revolving credit facilities.Through the use of leverage,we may acquire positions with market exposure significantly greater than the amount of capital committed to the transaction.For example,by entering into repos with advance rates of 95 %,or haircut levels of 5 %,we~~ could ~~theoretically leverage capital allocated to Agency RMBS by an asset- to- equity ratio of as much as 20 to 1.A haircut is the percentage discount that a repo lender applies to the market value of an asset serving as collateral for a repo borrowing,for the purpose of determining whether such repo borrowing is adequately collateralized.Although we may from time to time enter into certain contracts that may limit our leverage,such as certain financing arrangements with lenders,our governing documents do not specifically limit the amount of leverage that we may use.Leverage can enhance our potential returns but can also exacerbate losses.Even if an asset increases in value,if the asset fails to earn a return that equals or exceeds our cost of borrowing,the leverage will diminish our returns.Leverage also increases the risk of our being forced to precipitously liquidate our assets.See" — Our access to financing sources may not be available on favorable terms,may be limited or completely shut off,and our lenders and derivative counterparties may require us to post additional collateral.These circumstances may~~ materially adversely affect our business,financial condition and results of operations ~~,~~ and our ability to pay dividends to our shareholders. ~~" Our rights under repo agreements are subject to the effects of the bankruptcy laws in the event~~

~~of the bankruptcy or insolvency of us or our lenders.In the event of our insolvency or bankruptcy,certain repurchase agreements may qualify for special treatment under the U.S.Bankruptcy Code,the effect of which,among other things,would be to allow the lender to avoid the automatic stay provisions of the U.S.Bankruptcy Code and to foreclose on and / or liquidate the collateral pledged under such agreements without delay.In the event of the insolvency or bankruptcy of a lender during the term of a repo agreement,the lender may be permitted,under applicable insolvency laws,to repudiate the contract,and our claim against the lender for damages may be treated simply as an unsecured claim.In addition,if the lender is a broker or dealer subject to the Securities Investor Protection Act of 1970,or an insured depository institution subject to the Federal Deposit Insurance Act,our ability to exercise our rights to recover our securities under a repo agreement or to be compensated for any damages resulting from the lenders' insolvency may be further limited by those statutes.These claims would be subject to significant delay and costs to us and,if and when received,may be substantially less than the damages we actually incur.~~ Subject to maintaining our ~~qualification as a REIT and~~ exclusion from registration as an investment company under the **1940** ~~Investment Company~~ Act,we may pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates and,to a lesser extent,credit risk.Our hedging activity is expected to vary in scope based on the level and volatility of interest rates,the types of liabilities and assets held and other changing market conditions.Hedging may fail to protect or could adversely affect us because,among other things:• interest rate hedging can be expensive,particularly during periods of rising and volatile interest rates;• available interest rate hedges may not correspond directly **,or be correlated in the manner desired,** with the interest rate risk for which protection is sought;• the duration of the hedge may not match the duration of the related assets or liabilities being hedged;• many hedges are structured as over- the- counter contracts with counterparties whose creditworthiness is not guaranteed,raising the possibility that the hedging counterparty may default on their obligations;• to the extent that the creditworthiness of a hedging counterparty deteriorates,it may be difficult or impossible to terminate or assign any hedging transactions with such counterparty to another counterparty;• ~~to~~ the ~~extent~~ **value of derivatives used for** hedging ~~transactions do not satisfy certain provisions of the Code and are not made through a TRS,the amount of income that a REIT~~ may ~~earn~~ **be adjusted** from **time** ~~hedging transactions~~ to ~~offset interest rate losses is limited by U~~ **time in accordance with accounting rules to reflect changes in fair value** . ~~S.federal tax provisions governing REITs~~ **Downward adjustments would reduce our earnings and our shareholders' equity** ;• the value of derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value.Downward adjustments,or" mark- to- market losses," would reduce our earnings and our shareholders' equity;• we may fail to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the assets in the portfolio being hedged;• our Manager may fail to recalculate,re- adjust,and execute hedges in an efficient and timely manner;and • the hedging transactions may actually result in poorer overall performance for us than if we had not engaged in the hedging transactions.Although we do not intend to operate our non- Agency RMBS investment strategy on a credit- hedged basis in general,we may from time to time opportunistically enter into short positions using credit default swaps to protect against adverse credit events with respect to our non- Agency RMBS,provided that our ability to do so may be limited in order to maintain our ~~qualification as a REIT and maintain our~~ exclusion from registration as an investment company under the **1940** ~~Investment Company~~ Act.For these and other reasons,our hedging activity could materially adversely affect our business,financial condition and results of operations,our ability to pay dividends to our shareholders,and our ability to maintain our ~~qualification~~ **exclusion from registration** as ~~a REIT~~ **an investment company under the 1940 Act.Hedging instruments and other derivatives,including some credit default swaps,may not,in many cases,be traded on exchanges,or may not be guaranteed or regulated by any U.S.or foreign governmental authority and involve risks and costs that could result in material losses** .Hedging instruments and other derivatives,including certain types of credit default swaps,involve risk because they may not,in many cases,be traded on exchanges **or cleared on a CCP (as defined below)** and may not be guaranteed or regulated by any U.S.or foreign governmental authorities.Consequently,for these instruments there may be less stringent requirements with respect to record keeping and compliance with applicable statutory and commodity and other regulatory requirements and,depending on the identity of the counterparty,applicable international requirements.Our Manager is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty.Furthermore,our Manager has only a limited internal credit function to evaluate the creditworthiness of its counterparties,mainly relying on its experience with such counterparties and **/ or** their general reputation as participants in these markets.Under the terms of many of our ~~hedging~~ **derivative** transaction contracts,the business failure of a ~~hedging~~ **derivative** counterparty with whom we enter into a ~~hedging~~ **derivative** transaction will most likely result in a default under the ~~agreement~~ governing ~~the hedging~~ arrangement.Default by a party with whom we enter into a ~~hedging~~ **derivative** transaction may result in losses and may force us to re- initiate similar ~~hedges~~ **derivative transactions** with other counterparties at the then- prevailing market levels.Generally,we will seek to reserve the right to terminate our ~~hedging~~ **derivative** transactions upon a counterparty' s insolvency,but absent an actual insolvency,we may not be able to terminate a ~~hedging~~ **derivative** transaction without the consent of the ~~hedging~~ counterparty,and we may not be able to assign or otherwise dispose of a ~~hedging~~ **derivative** transaction to another counterparty without the consent of both the original ~~hedging~~ **derivative** counterparty and the potential assignee.If we terminate a ~~hedging~~ **derivative** transaction,we may not be able to enter into a replacement contract in order to cover our risk.There can be no assurance that a liquid secondary market will exist for ~~hedging~~ **derivative** instruments purchased or sold,and therefore we may be required to maintain any ~~hedging~~ **derivative** ~~position~~ **positions** until exercise or expiration,which could materially adversely affect our business,financial condition and results of operations,and our ability to pay dividends to our shareholders.In **this regard,we may be required to hold additional cash or sell other investments in order to obtain cash to close out derivatives to meet the liquidity demands that derivatives can create to make payments of margin,collateral or settlement payments to counterparties.We may have to sell an investment at a disadvantageous time or price to meet such obligations.In** addition,some portion of our ~~hedges~~ **derivatives,including our future positions,** are

cleared through a central counterparty clearinghouse,or" CCP," which we access through a futures commission merchant,or" FCM." If an FCM that holds our cleared derivatives account were to become insolvent,the CCP will make an effort to move our futures and swap positions to an alternate FCM,though it is possible that no alternate FCM could be found to accept our positions,which could result in a total cancellation of our positions in the account;in such a case,if we wished to reinstate such ~~hedging~~ **derivative** positions,we would have to re- initiate such positions with an alternate FCM.In the event of the insolvency of an FCM that holds our cleared over- the- counter derivatives,the rules of the CCP require that its direct members submit bids to take over the portfolio of the FCM,and would further require the CCP to move our existing positions and related margin to an alternate FCM.If this were to occur,we believe that our risk of loss would be limited to the excess equity in the account at the insolvent FCM due to the" legally segregated,operationally commingled" treatment of client assets under the rules governing FCMs in respect of cleared over- the- counter derivatives.In addition,in the case of both futures and cleared over- the- counter derivatives,there could be knock- on effects of our FCM' s insolvency,such as the failure of co- customers of the FCM or other FCMs of the same CCP.In such cases,there could be a shortfall in the funds available to the CCP due to such additional insolvencies and / or exhaustion of the CCP' s guaranty fund that could lead to total loss of our positions in the FCM account.Finally,we face a risk of loss (including total cancellation) of positions in the account in the event of fraud by our FCM or other FCMs of the CCP,where ordinary course remedies would not apply. **Using derivatives is also subject to operational and legal risks.Operational risk generally refers to risk related to potential operational issues,including documentation issues,settlement issues,systems failures,inadequate controls,and human error.Legal risk generally refers to insufficient documentation,insufficient capacity or authority of counterparty,or the legality or enforceability of a contract.** The U.S.Commodity Futures Trading Commission,or" CFTC," and certain commodity exchanges have established limits referred to as speculative position limits or position limits on the maximum net long or net short position which any person or group of persons may hold or control in particular futures and options.Limits on trading in options contracts also have been established by the various options exchanges.It is possible that trading decisions may have to be modified and that positions held may have to be liquidated in order to avoid exceeding such limits.Such modification or liquidation,if required,could materially adversely affect our business,financial condition and results of operations and our ability to pay dividends to our shareholders. **Our use of derivatives may expose us to counterparty risk.** We have entered into ~~interest rate swaps and other derivatives~~ **derivative transactions** that have not been cleared by a CCP.If a derivative counterparty cannot perform under the terms of the derivative contract,we would not receive payments due under that agreement,we may lose any unrealized gain associated with the derivative,and **in** the **case of a derivative used as a hedging instrument,the asset or liability being** hedged ~~liability~~ would cease to be hedged by such instrument.If a derivative counterparty becomes insolvent or files for bankruptcy,we may also be at risk for any collateral we have pledged to such counterparty to secure our obligations under derivative contracts,and we may incur significant costs in attempting to recover such collateral.We engage in short selling transactions,which may subject us to additional risks. ~~Many~~ **Certain** of our hedging transactions,and occasionally our investment transactions, ~~are~~ **may be** short sales **or short positions** .Short selling may involve selling securities that are not owned and typically borrowing the same securities for delivery to the purchaser,with an obligation to repurchase the borrowed securities at a later date.Short selling allows the investor to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities.A short sale may create the risk of an unlimited loss,in that the price of the underlying security might theoretically increase without limit,thus increasing the cost of repurchasing the securities.There **can be no assurance that securities sold short will be available for repurchase or borrowing.Market conditions,including lower liquidity in certain asset classes and derivatives,and increased short sale restrictions imposed by regulators during periods of financial stress,could limit our ability to execute or maintain short positions effectively.Repurchasing securities to close out a short position can itself cause the price of the securities to rise further,thereby exacerbating the loss,which could materially adversely affect our business,financial condition and results of operations,and our ability to pay dividends to our shareholders.Our investments that are denominated in foreign currencies,domiciled outside the U.S.,or that involve non-U.S.assets are subject to risks associated with non- U.S.investing,including in some cases foreign currency risk,which could materially adversely affect our business,financial condition and results of operations,and our ability to pay dividends to our shareholders.Our investments that are denominated in foreign currencies subject us to foreign currency risk arising from fluctuations in exchange rates between such foreign currencies and the U.S.dollar.While we currently attempt to hedge the vast majority of our foreign currency exposure,we may not always choose to hedge such exposure,or we may not be able to hedge such exposure.To the extent that** we are ~~subject~~ **exposed** to ~~various requirements~~ **foreign currency risk, changes in exchange rates of such foreign currencies to the U. S. dollar could materially adversely affect our business, financial condition** and ~~tests~~ **results of operations, and our ability to pay dividends to our shareholders. Further, we also invest in CLOs** that **hold** ~~impose limits on~~ **non - U. S. assets, and we expect that many of the CLO issuers in which we invest will be domiciled outside the United States. Investing directly or indirectly in non- U. S. issuers may expose us to additional risks, including political and social instability, expropriation, imposition of foreign taxes, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards, currency fluctuations and greater price volatility. Further, we, and the CLOs in which we invest, may have difficulty enforcing creditor' s rights in foreign jurisdictions. We may change** our investment strategy ~~. However~~ , ~~neither the broad~~ investment guidelines **, hedging strategy, and asset allocation, operational, and management policies without notice or shareholder consent, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. We may change our investment strategy, investment guidelines, hedging strategy, and asset allocation, operational, and management policies at any time without notice to or consent from our shareholders. As a result, the types or mix of assets, liabilities, or hedging transactions** in **our** portfolio may be different from,and possibly riskier than,the types or mix of assets,liabilities,and hedging transactions that we have

historically held,or that are otherwise described in this report.A change in our strategy may increase our exposure to real estate values,interest rates,and other factors ~~.Changes in our investment strategy may also affect our ability to qualify as a REIT,or cause us to determine that it is not in the best interests of our company and our shareholders for us to continue to qualify as a REIT~~ .Our Board of Trustees determines our investment guidelines and our operational policies,and may amend or revise our policies,including those with respect to our acquisitions,growth,operations,indebtedness,capitalization,and dividends or approve transactions that deviate from these policies without a vote of,or notice to,our shareholders.For example, **our declaration** ~~we recently began investing in corporate CLOs with the approval~~ of **trust provided** our Board of Trustees **the ability to** ~~and without any notice or consent from our shareholders.Our declaration of trust provides that our Board of Trustees may~~ authorize us to revoke or otherwise terminate our REIT election,without the approval of our shareholders,if it ~~determines~~ **determined** that it ~~is~~ **was** no longer in our best interests to qualify as a REIT. **Our Board of Trustees made that determination and revoked our election to be taxed as a REIT,effective January 1,2024,and we began investing in corporate CLOs with the approval of our Board of Trustees and without any notice or consent from our shareholders.** These **(and similar)** changes could materially adversely affect our business,financial condition and results of operations and our ability to pay dividends to our shareholders.Any such change may increase our exposure to the risks described herein or expose us to new risks that are not currently contemplated.We operate in a highly competitive market.Our profitability depends,in large part,on our ability to acquire targeted assets at favorable prices.We compete with a number of entities when acquiring our targeted assets,including ~~other mortgage REITs,~~ financial companies,public and private funds,commercial and investment banks and residential and commercial finance companies.We may also compete with (i) the Federal Reserve and the U.S.Treasury to the extent they purchase assets in our targeted asset classes and (ii) companies that partner with and / or receive financing from the U.S.Government or consumer bank deposits.Many of our competitors are substantially larger and have considerably more favorable access to capital and other resources than we do.Furthermore,new companies with significant amounts of capital have been formed or have raised additional capital,and may continue to **be formed and raise additional capital in the future,and these companies may have objectives that overlap with** ~~our~~ **ours , which may create competition for assets we wish to acquire. Some competitors may have a lower cost of funds and access to funding sources, such as government funding, that are not available to us. In addition, some of our competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of assets to acquire or pay higher prices than we can. We also may have different operating constraints from those of our competitors including, among others, (i) tax-, legal- or accounting- driven constraints, (ii) restraints imposed on us by our attempt to comply with certain exclusions from the definition of an" investment company" or other exemptions under the 1940 Act and (iii) restraints and additional costs arising from our status as a public company. Furthermore, competition for assets in our targeted asset classes may lead to the price of such assets increasing, which may further limit our ability to generate desired returns. The competitive pressures we face could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. An increase in interest rates may cause a decrease in the issuance volumes of certain of our targeted assets, which could adversely affect our ability to acquire targeted assets that satisfy our investment objectives and to generate income and pay dividends. Rising interest rates generally reduce the demand for mortgage loans due to the higher cost of borrowing. A reduction in the volume of mortgage loans originated may affect the volume of targeted assets available to us, which could adversely affect our ability to acquire assets that satisfy our investment objectives. If rising interest rates cause us to be unable to acquire a sufficient volume of our targeted assets with a yield that is above our borrowing cost, our ability to satisfy our investment objectives and to generate income and pay dividends to our shareholders may be materially and adversely affected. Lack of diversification in the number or types of assets we acquire would increase our dependence on relatively few individual assets or asset types. Our management objectives and policies do not place a limit on the amount of capital used to support, or the exposure to (by any other measure), any individual asset or any group of assets with similar characteristics or risks. As a result, our portfolio may be concentrated in a small number of assets or may be otherwise undiversified, increasing the risk of loss and the magnitude of potential losses to us and our shareholders if one or more of these assets perform poorly. We are highly dependent on Ellington' s information systems and those of third- party service providers, and system failures could significantly disrupt our business, which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. Our business is highly dependent on Ellington' s communications and information systems and those of third- party service providers. Any failure or interruption of Ellington' s or certain third- party service providers' systems or cyber- attacks or security breaches of their networks or systems could cause delays or other problems in our securities trading activities, could allow unauthorized access for purposes of misappropriating assets, stealing proprietary and confidential information, corrupting data or causing operational disruption, or could prevent us from receiving distributions to which we are entitled, any of which could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. Computer malware, ransomware, viruses, and computer hacking and phishing attacks have become more prevalent in the financial services industry and may occur on Ellington' s or certain third party service providers' systems in the future. We rely heavily on Ellington' s financial, accounting and other data processing systems. Financial services institutions have reported breaches of their systems, some of which have been significant, and Ellington has experienced a data breach, which was not material to its or our operations. Even with all reasonable security efforts, not every breach can be prevented or even detected. It is possible that Ellington or certain third- party service providers have experienced an undetected breach, and it is likely that other financial institutions have experienced more breaches than have been detected and reported. There is no assurance that we, Ellington, or certain of the third parties that facilitate our and Ellington' s business activities, have not or will not experience a breach.**

It is difficult to determine what, if any, negative impact may directly result from any specific interruption or cyber- attacks or security breaches of Ellington' s networks or systems (or the networks or systems of certain third parties that facilitate our and Ellington' s business activities) or any failure to maintain performance, reliability and security of Ellington' s or certain third- party service providers' technical infrastructure, but such computer malware, ransomware, viruses, and computer hacking and phishing attacks could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. Additionally, operational failures or cyber incidents relating to our third- party service providers (or their service providers) may negatively impact our business in the future. The number and complexity of cyber- attacks continue to increase over time. While we collaborate with third- party service providers to develop secure transmission capabilities and protect against operational failures and cyber- attacks, we and those third parties may not have all appropriate controls in place to protect from such failures or attacks. If a material operational failure or material breach of the information technology systems of our third- party service providers occurs, we could be required to expend significant amounts of money, be delayed in receiving funds (or not receive them at all) or have to expend significant time and resources to respond to these threats or breaches, each of which could materially adversely impact our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. New technologies also continue to develop, including tools that harness generative artificial intelligence and other machine learning techniques (collectively, " AI "). AI is developing at a rapid pace and becoming more accessible. As a result, the use of such new technologies by us, Ellington, and / or our third- party service providers can present additional known and unknown risks, including, among others, the risk that confidential information may be stolen, misappropriated or disclosed and the risk that we, Ellington, and / or our third- party service providers may rely on incorrect, unclear or biased outputs generated by such technologies, any of which could have an adverse impact on us and our business. See " — Artificial intelligence and other machine learning techniques could increase competitive, operational, legal and regulatory risks to our business in ways that we cannot predict. " The lack of liquidity in our assets may materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. Certain of the assets and other instruments we acquire are not publicly traded, including certain corporate debt and equity investments. As such, these assets may be subject to legal and other restrictions on resale, transfer, pledge or other disposition, or will otherwise be less liquid than publicly- traded securities. Other assets that we acquire, while publicly traded, may have limited liquidity on account of their complexity, turbulent market conditions, or other factors. In addition, CLOs from time to time have experienced extended periods of illiquidity, including during times of financial stress (such as during the COVID- 19 pandemic), which is often the time that liquidity is most needed. Illiquid assets typically experience greater price volatility, because a ready market does not exist, and they can be more difficult to value or sell if the need arises. In addition, if we are required to liquidate all or a portion of our portfolio quickly, we may realize significantly less than the value at which we have previously recorded our assets. We may also face other restrictions on our ability to liquidate any assets for which we or our Manager has or could be attributed with material non- public information. Furthermore, assets that are illiquid are more difficult to finance, and to the extent that we finance assets that are or become illiquid, we may lose that financing or have it reduced. If we are unable to sell our assets at favorable prices or at all, it could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders.' Our ability to pay dividends will depend on our operating results, our financial condition and other factors, and we may not be able to pay dividends at a fixed rate or at all under certain circumstances. Our ability to pay dividends will depend on our earnings, our financial condition and such other factors as our Board of Trustees may deem relevant from time to time. We will declare and pay dividends only to the extent approved by our Board of Trustees. We are dependent on our Manager and certain key personnel of Ellington that are provided to us through our Manager and may not find a suitable replacement if our Manager terminates the management agreement ~~, the REIT qualification requirements, nor~~ **or such key personnel are** ~~the Investment Company Act impose any specific limits on, or prohibitions against, investing our capital in corporate CLOs or other corporate investments. Under the terms of our management agreement, our Manager has significant latitude within our broad investment guidelines in determining the types of assets it may acquire. Our Board of Trustees generally does not~~ **no longer** ~~review individual acquisitions, dispositions, or many other management decisions. That said, our investments in CLOs generally will not be qualifying assets for purposes of the REIT 75 % asset test and generally will not produce qualifying income for purposes of the REIT 75 % gross income test. As a result, maintaining our qualification as a REIT will require that we limit the size of our CLO investment portfolio, and our Manager may, in the course of investing in CLO investments, utilize certain capital structures and subsidiary structures that give it more flexibility under the relevant REIT tests and Investment Company Act tests. If our Manager were to allocate a materially greater amount of our investment capital to CLOs, it may be necessary or advisable~~ **available** ~~for~~ **to** us ~~, with the approval of our Board of Trustees, to revoke or otherwise terminate our REIT election~~. We do not have any employees of our own. Our officers are employees of Ellington or one or more of its affiliates. We have no separate facilities and are completely reliant on our Manager, which has significant discretion as to the implementation of our operating policies and execution of our business strategies and risk management practices. We also depend on our Manager' s access to the professionals of Ellington as well as information and deal flow generated by Ellington. The employees of Ellington identify, evaluate, negotiate, structure, close, and monitor our portfolio. The departure of any of the senior officers of our Manager, or of a significant number of investment professionals of Ellington or the inability of such personnel to perform their duties due to acts of God, pandemics such as the COVID- 19 pandemic, war or other geopolitical conflict, terrorism, elevated inflation, high energy costs, social unrest, or civil disturbances, could have a material adverse effect on our ability to achieve our objectives. We can offer no assurance that our Manager will remain our manager or that we will continue to have access to our Manager' s senior management. We are subject

to the risk that our Manager will terminate the management agreement or that we may deem it necessary to terminate the management agreement or prevent certain individuals from performing services for us and that no suitable replacement will be found to manage us. ~~The~~ **There are risks and conflicts of interest associated with the base management fee we are obligated to pay our Manager. We pay our Manager substantial base** management fees ~~payable to our Manager are payable regardless of the performance of our portfolio, which may reduce our Manager' s incentive to devote the time and effort to seeking profitable opportunities for our portfolio. We pay our Manager management fees, which may be substantial,~~ based on our ~~shareholders' equity~~ **net asset value** (as defined in the management agreement) regardless of the performance of our portfolio. The **base** management fee takes into account the net issuance proceeds of both common and preferred share offerings. Our Manager' s entitlement to non- performance- based compensation might reduce its incentive to devote the time and effort of its professionals to seeking profitable opportunities for our portfolio, which could result in a lower performance of our portfolio and could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. **There are risks and conflicts of interests associated with the Performance Fee we are obligated to pay our Manager. In addition to its Base Management Fee, our Manager is entitled to receive the Performance Fee based, in large part, upon our achievement of targeted levels of Pre- Performance Fee Net Investment Income. The Performance Fee payable to our Manager is based on our Pre- Performance Fee Net Investment Income, without considering any realized or unrealized gains or losses on our investments. As a result, (i) for quarters in which a Performance Fee is payable, such Performance Fee will exceed 17. 5 % of our GAAP net income if we generated net realized and unrealized losses on our investments during such quarter, (ii) our Manager could earn a Performance Fee for fiscal quarters during which we generate a GAAP net loss, and (iii) our Manager might be incentivized to manage our portfolio using higher risk assets, using assets with deferred interest features, or using more financial leverage through indebtedness, to generate more income than would be the case if there were no Performance Fee, both of which could result in higher investment losses, especially during economic downturns. The Performance Fee is calculated quarterly, treating each quarter in isolation. As a result, the Hurdle Amount does not accumulate from quarter to quarter, and decreases in our Net Asset Value of Common Equity, such as those due to unrealized losses, will reduce the Hurdle Amount, potentially making it easier for our Manager to earn a Performance Fee. We will not have the ability to claw back, delay, or adjust the payment of any Performance Fee based on financial results in prior or subsequent quarters. In addition, over a series of quarters, if our Pre- Performance Fee Net Investment Income is positive in some quarters but negative in others, it is likely, when viewing the series of quarters as a whole, for the aggregate Performance Fee payable to our Manager to exceed 17. 5 % of our aggregate Pre- Performance Fee Net Investment Income. There is also a conflict of interest related to management' s involvement in many accounting determinations (including but not limited to valuations and calculations of interest income) that can affect our Performance Fee. Finally, because the Hurdle Rate does not float with overall interest rates, an increase in interest rates will likely make it easier for Pre- Performance Fee Net Investment Income to exceed the Hurdle Amount. The Performance Fee Catch- Up feature (which provides that if the Company' s Pre- Performance Fee Net Investment Income for a quarter exceeds the Hurdle Amount for such quarter but is less than or equal to 121. 21 % of the Hurdle Amount, then 100 % of the portion of the Company' s Pre- Performance Fee Net Investment Income that exceeds the Hurdle Amount is payable to the Manager with respect to such quarter) may also cause our Manager to capture a disproportionate share of any increase in our investment income resulting from higher interest rates.** Our Board of Trustees has approved very broad investment guidelines for our Manager and will not approve ~~each~~ **the** ~~decision~~ **decisions** made by our Manager to acquire, dispose of, or otherwise manage an asset. Our Manager is authorized to follow very broad guidelines in pursuing our strategy. While our Board of Trustees periodically reviews our guidelines and our portfolio and asset- management decisions, including our decision to begin making CLO investments, it generally does not review ~~all of~~ our proposed acquisitions, dispositions, and other management decisions. In addition, in conducting periodic reviews, our Board of Trustees relies primarily on information provided to them by our Manager. Furthermore, our Manager may arrange for us to use complex strategies or to enter into complex transactions that may be difficult or impossible to unwind by the time they are reviewed by our Board of Trustees. Our Manager has great latitude within the broad guidelines in determining the types of assets it may decide are proper for us to acquire and other decisions with respect to the management of those assets subject to our maintaining ~~our qualification as a REIT~~ **exemption from the 1940 Act** . Poor decisions could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. We compete with Ellington' s other accounts for access to Ellington and for opportunities to acquire assets. Ellington has sponsored and / or currently manages accounts with a focus that overlaps with our investment focus, and expects to continue to do so in the future. Ellington is not restricted in any way from sponsoring or accepting capital from new accounts, even for investing in asset classes or strategies that are similar to, or overlapping with, our asset classes or strategies. Therefore, we compete for access to the benefits that our relationship with our Manager and Ellington provides us. For the same reasons, the personnel of Ellington and our Manager may be unable to dedicate a substantial portion of their time to managing our assets. Further, to the extent that our targeted assets are also targeted assets of other Ellington accounts, we will compete with those accounts for opportunities to acquire assets. Ellington has no duty to allocate such opportunities in a manner that preferentially favors us. Ellington makes available to us all opportunities to acquire assets that it determines, in its reasonable and good faith judgment, based on our objectives, policies and strategies, and other relevant factors, are appropriate for us in accordance with Ellington' s written investment allocation policy, it being understood that we might not participate in each such opportunity, but will ~~on an overall basis~~ equitably participate with Ellington' s other accounts in ~~all~~ such opportunities **on an overall basis** . Since many of our targeted assets are typically available only in specified quantities and are also targeted assets for other Ellington accounts, Ellington often is not able to buy as much of any asset or group of assets as would be required to satisfy the needs of all of Ellington' s accounts. In these cases, Ellington' s investment allocation procedures and policies typically allocate such

assets to multiple accounts in proportion to their needs and available capital. As part of these policies, accounts that are in a" start- up" or" ramp- up" phase may get allocations above their proportion of available capital, which could work to our disadvantage, particularly because there are no limitations surrounding Ellington' s ability to create new accounts. In addition, the policies permit departure from proportional allocations under certain circumstances, **including,** for example when such allocation would result in an inefficiently small amount of the security or assets being purchased for an account, which may also result in our not participating in certain allocations **. In addition, as part of these policies, we may be excluded from specified allocations of assets for tax, regulatory, risk management, or similar reasons. There are conflicts of interest in our relationships with our Manager and Ellington, which could result in decisions that are not in the best interests of our shareholders** . We are subject to conflicts of interest arising out of our relationship with Ellington and our Manager. Currently, all of our executive officers, and two of our trustees, are employees of Ellington or one or more of its affiliates. As a result, our Manager and our officers may have conflicts between their duties to us and their duties to, and interests in, Ellington or our Manager. For example, Mr. Penn, our President and Chief Executive Officer and one of our trustees, also serves as the President and Chief Executive Officer of, and as a member of the Board of Directors of, Ellington Financial Inc., and Vice Chairman and Chief Operating Officer of Ellington. Mr. Vranos, our Co- Chief Investment Officer and one of our trustees, also serves as the Co- Chief Investment Officer of Ellington Financial Inc., and Chairman of Ellington. Mr. Tecotzky, our Co- Chief Investment Officer, also serves as the Co- Chief Investment Officer of Ellington Financial Inc., and as Vice Chairman- Co- Head of Credit Strategies of Ellington. Mr. Smernoff, our Chief Financial Officer, also serves as the Chief Accounting Officer of Ellington Financial Inc. Mr. Herlihy, our Chief Operating Officer, also serves as the Chief Financial Officer of Ellington Financial Inc., and as a Managing Director of Ellington. We may acquire or sell assets in which Ellington or its affiliates have or may have an interest. Similarly, Ellington or its affiliates may acquire or sell assets in which we have or may have an interest. Although such acquisitions or dispositions may present conflicts of interest, we nonetheless may pursue and consummate such transactions. Additionally, we may engage in transactions directly with Ellington or its affiliates, including the purchase and sale of all or a portion of a portfolio asset. Acquisitions made for entities with similar objectives may be different from those made on our behalf. Ellington may have economic interests in, or other relationships with, others in whose obligations or securities we may acquire. In particular, such persons may make and / or hold an investment in securities that we acquire that may be pari passu, senior, or junior in ranking to our interest in the securities or in which partners, security holders, officers, directors, agents, or employees of such persons serve on boards of directors or otherwise have ongoing relationships. Each of such ownership and other relationships may result in securities laws restrictions on transactions in such securities and otherwise create conflicts of interest. In such instances, Ellington may, in its sole discretion, make recommendations and decisions regarding such securities for other entities that may be the same as or different from those made with respect to such securities and may take actions (or omit to take actions) in the context of these other economic interests or relationships the consequences of which may be adverse to our interests. In deciding whether to issue additional debt or equity securities, we will rely in part on recommendations made by our Manager. While such decisions are subject to the approval of our Board of Trustees, two of our trustees are also Ellington employees. Because our Manager earns management fees that are based **in part** on the total amount of our equity capital, our Manager may have an incentive to recommend that we issue additional equity securities. See below for further discussion of the adverse impact future debt or equity offerings could have on our common shares. Future offerings of debt securities, which would rank senior to our common shares upon liquidation, and future offerings of equity securities which would dilute the common share holdings of our existing shareholders and may be senior to our common shares for the purposes of dividend and liquidating distributions, may adversely affect the market price of our common shares. The officers of our Manager and its affiliates devote as much time to us as our Manager deems appropriate; however, these officers may have conflicts in allocating their time and services among us and Ellington and its affiliates' accounts. During turbulent conditions in the mortgage industry, distress in the credit markets or other times when we will need focused support and assistance from our Manager and Ellington employees, other entities that Ellington advises or manages will likewise require greater focus and attention, placing our Manager and Ellington' s resources in high demand. In such situations, we may not receive the necessary support and assistance we require or would otherwise receive if we were internally managed or if Ellington or its affiliates did not act as a manager for other entities. We, directly or through Ellington, may obtain confidential information about the companies or securities in which we have invested or may invest. If we do possess confidential information about such companies or securities, there may be restrictions on our ability to dispose of, increase the amount of, or otherwise take action with respect to the securities of such companies. Our Manager' s and Ellington' s management of other accounts could create a conflict of interest to the extent our Manager or Ellington is aware of material non- public information concerning potential investment decisions. **For example, an affiliate of Ellington could participate in a loan syndicate or on a loan borrower' s creditors' committee, thereby becoming privy to material non- public information, and potentially precluding our Manager from entering into a transaction involving a CLO that holds the related loan.** We have implemented compliance procedures and practices designed to ensure that investment decisions are not made while in possession of material non- public information. ~~We cannot assure you, however~~ **However** , **there can be no assurance** that these procedures and practices will be effective. In addition, this conflict and these procedures and practices may limit the freedom of our Manager to make potentially profitable investments, which could have an adverse effect on our operations. These limitations imposed by access to confidential information could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. The management agreement with our Manager was not negotiated on an arm' s- length basis and may not be as favorable to us as if it had been negotiated with an unaffiliated third party and may be costly and difficult to terminate. Our management agreement with our Manager was negotiated between related parties, and its terms, including fees payable, may not be as favorable to us as if it had been negotiated with an unaffiliated third party. Various potential and actual conflicts of interest may arise from the activities of Ellington and its affiliates by virtue of the fact that our Manager is

controlled by Ellington. Termination of our management agreement without cause, including termination for poor performance or non- renewal, is subject to several conditions which may make such a termination difficult and costly. The management agreement has a current term that expires on ~~September 24~~ **June 25** , ~~2024~~ **2025** , and will be automatically renewed for successive one- year terms thereafter unless notice of non- renewal is delivered by either party to the other party at least 180 days prior to the expiration of the then current term. The management agreement provides that it may be terminated by us based on performance upon the affirmative vote of at least two- thirds of our Board of Trustees, or by a vote of the holders of at least a majority of our outstanding common shares, based either upon unsatisfactory performance by our Manager that is materially detrimental to us or upon a determination by our independent trustees that the management fees payable to our Manager are not fair, subject to our Manager' s right to prevent such a fee- based termination by accepting a mutually acceptable reduction of management fees. In the event we terminate the management agreement as discussed above or elect not to renew the management agreement, we will be required to pay our Manager a termination fee equal to 5 % of our ~~shareholders' equity~~ **net asset value** as of the month- end preceding the date of the notice of termination or non- renewal. These provisions will increase the effective cost to us of terminating the management agreement, thereby adversely affecting our ability to terminate our Manager without cause. Pursuant to the management agreement, our Manager will not assume any responsibility other than to render the services called for thereunder and will not be responsible for any action of our Board of Trustees in following or declining to follow ~~its~~ **our Manager' s** advice or recommendations. Under the terms of the management agreement, our Manager, Ellington, and their affiliates and each of their officers, directors, trustees, members, shareholders, partners, managers, investment and risk management committee members, employees, agents, successors and assigns, will not be liable to us for acts or omissions performed in accordance with and pursuant to the management agreement, except because of acts constituting bad faith, willful misconduct, gross negligence, fraud or reckless disregard of their duties under the management agreement. In addition, we will indemnify our Manager, Ellington, and their affiliates and each of their officers, directors, trustees, members, shareholders, partners, managers, investment and risk management committee members, employees, agents, successors and assigns, with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of our Manager not constituting bad faith, willful misconduct, gross negligence, fraud or material breach or reckless disregard of duties, performed in good faith in accordance with and pursuant to the management agreement. Our Manager' s failure to identify and acquire assets that meet our asset criteria or perform its responsibilities under the management agreement could materially adversely affect our business, financial condition and results of operations, our ability to pay dividends to our shareholders, and our ability to maintain our ~~qualification as a REIT~~ **exclusion from the 1940 Act** . Our ability to achieve our objectives depends on our Manager' s ability to identify and acquire assets that meet our asset criteria. Accomplishing our objectives is largely a function of our Manager' s structuring of our investment process, our access to financing on acceptable terms, and general market conditions. Our shareholders do not have input into our investment decisions. All of these factors increase the uncertainty, and thus the risk, of investing in our common shares. The senior management team of our Manager has substantial responsibilities under the management agreement. In order to implement certain strategies, our Manager may need to hire, train, supervise, and manage new employees successfully. Any failure to manage our future growth effectively could materially adversely effect our business, financial condition and results of operations, our ability to pay dividends to our shareholders **,** and our ability to maintain our ~~qualification as a REIT~~ **exclusion from the 1940 Act** . If our Manager ceases to be our Manager or one or more of our Manager' s key personnel ceases to provide services to us, our lenders and our derivative counterparties may cease doing business with us. If our Manager ceases to be our Manager, including upon the non- renewal of our management agreement, or if one or more of our Manager' s key personnel cease to provide services for us, it could constitute an event of default or early termination event under many of our repo financing and derivative hedging agreements, upon which the relevant counterparties would have the right to terminate their agreements with us. If our Manager ceases to be our Manager for any reason, including upon the non- renewal of our management agreement and we are unable to obtain or renew financing or enter into or maintain derivative transactions, it could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. We do not own the Ellington brand or trademark, but may use the brand and trademark as well as our logo pursuant to the terms of a license granted by Ellington. Ellington has licensed the" Ellington" brand, trademark, and logo to us for so long as our Manager or another affiliate of Ellington continues to act as our manager. We do not own the brand, trademark, or logo that we will use in our business and may be unable to protect this intellectual property against infringement from third parties. Ellington retains the right to continue using the" Ellington" brand and trademark. We will further be unable to preclude Ellington from licensing or transferring the ownership of the" Ellington" brand and trademark to third parties, some of whom may compete against us. Consequently, we will be unable to prevent any damage to goodwill that may occur as a result of the activities of Ellington or others. Furthermore, in the event our Manager or another affiliate of Ellington ceases to act as our manager, or in the event Ellington terminates the license, we will be required to change our name and trademark. Any of these events could disrupt our recognition in the marketplace, damage any goodwill we may have generated, and otherwise harm our business. Finally, the license is a domestic license in the United States only and does not give us any right to use the" Ellington" brand, trademark, and logo overseas even though we expect to use the brand, trademark, and logo overseas. Our use of the" Ellington" brand, trademark and logo overseas ~~will~~ **is** therefore ~~be~~ unlicensed and could expose us to a claim of infringement **. Our shareholders may not receive dividends or dividends may not grow over time** . The declaration, amount, nature, and payment of any future dividends on our common shares are at the sole discretion of our Board of Trustees. Under Maryland law, cash dividends on capital stock may only be paid if, after payment, the corporation will be able to pay its debts as they become due in the ordinary course of business; and the corporation’ s assets will be greater than its liabilities, plus, unless the charter permits otherwise, the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights on dissolution are superior to those receiving the distribution. Further, even if we are permitted to pay a dividend under

Maryland law, we may not have sufficient cash to pay dividends on our common shares. In addition, in order to preserve our liquidity, our Board of Trustees may not declare a dividend at all or declare all or any portion of a dividend to be payable in stock, may delay the record date or payment date for any previously declared, but unpaid, dividend, convert a previously declared, but unpaid, cash dividend on our common shares to a dividend paid partially or completely in common shares, or even revoke a declared, but unpaid, dividend. Our ability to pay dividends may be impaired if any of the risks described in this Annual Report on Form 10- K, or any of our other periodic or current reports filed with the SEC, were to occur. In addition, payment of dividends depends upon our earnings, liquidity, financial condition, ~~the REIT distribution requirements,~~ our financial covenants, and other factors that our Board of Trustees may deem relevant from time to time. ~~We cannot~~ **There can be no** ~~assure~~ **assurance** ~~you~~ that our business will generate sufficient cash flow from operations or that future borrowings or other capital will be available to us in an amount sufficient to enable us to make distributions on our common shares, to pay our indebtedness, or to fund other liquidity needs. Our Board of Trustees will continue to assess the dividend rate on our common shares on an ongoing basis, as market conditions and our financial position continue to evolve. Our Board of Trustees is under no obligation to declare any dividend distribution. ~~We cannot~~ **There can be no** ~~assure~~ **assurance** ~~you~~ that we will achieve results that will allow us to pay a specified level of dividends or to increase dividends from one period to the next. **An increase in interest rates may have an adverse effect on the market price of our common shares and our ability to pay dividends to our shareholders.** One of the factors that investors may consider in deciding whether to buy or sell our common shares is our dividend rate (or expected future dividend rate) as a percentage of our common share price, relative to market interest rates. If market interest rates continue to increase or do not decline from their current levels, prospective investors may demand a higher dividend rate on our common shares or seek alternative investments paying higher dividends or interest. ~~We cannot~~ **There can be no** ~~assure~~ **assurance** ~~you~~ that we will achieve results that will allow us to increase our dividend rate in response to market interest rate increases. As a result, interest rate fluctuations and capital market conditions can affect the market price of our common shares independent of the effects such conditions may have on our portfolio. For instance, if interest rates rise without an increase in our dividend rate, the market price of our common shares could decrease because potential investors may require a higher dividend yield on our common shares as market rates on interest- bearing instruments such as bonds rise. ~~In addition,~~ **See also" — Risk Related** to ~~the extent we have variable~~ **our Investments and Investment Activities — Interest** rate **mismatches between** ~~debt, such as~~ our ~~repo financing, rising~~ **assets and our borrowings may reduce our income during periods of changing** interest rates **, and** ~~would result in increased~~ **increases in** interest ~~expense on this variable rate~~ **rates could** ~~debt, thereby~~ adversely ~~affecting~~ --- **affect the value of** our ~~cash flow and~~ **assets." Investing in** our **common shares involves a high degree of risk** ~~ability to service our indebtedness and pay dividends to our shareholders~~. The assets we purchase in accordance with our objectives may result in a higher amount of risk than other alternative asset acquisition options. The assets we acquire may be highly speculative and aggressive and may be subject to a variety of risks, including credit risk, prepayment risk, interest rate risk, and market risk. As a result, an investment in our common shares may not be suitable for investors with lower risk tolerance. **Maintenance of our exclusion from registration as an investment company under the 1940 Act imposes significant limitations on our operations. If we were required to register as an investment company under the 1940 Act, we would be subject to the restrictions imposed by the 1940 Act, which would require us to make material changes to our strategy.** We have conducted and intend to continue to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the **1940** ~~Investment Company~~ Act. Both we and our Operating Partnership are organized as holding companies and conduct our business primarily through wholly- owned subsidiaries of our Operating Partnership. Investments in subsidiaries that rely on the exclusions from the definition of investment company under 3 (c) (1) or 3 (c) (7) of the **1940** ~~Investment Company~~ Act are considered investment securities for the purposes of the 40 % Test. Therefore, our Operating Partnership' s investments in its 3 (c) (7) subsidiaries and its other investment securities cannot exceed 40 % of the value of our Operating Partnership' s total assets (excluding U. S. government securities and cash) on an unconsolidated basis. This requirement limits the types of businesses in which we may engage and the assets we may hold. Certain of our Operating Partnership' s subsidiaries rely on the exclusion provided by Section 3 (c) (5) (C) of the **1940** ~~Investment Company~~ Act. Section 3 (c) (5) (C) of the **1940** ~~Investment Company~~ Act is designed for entities" primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate." This exclusion generally requires that at least 55 % of the entity' s assets on an unconsolidated basis consist of qualifying real estate assets and at least 80 % of the entity' s assets on an unconsolidated basis consist of qualifying real estate assets or real estate- related assets. These requirements limit the assets those subsidiaries can own and the timing of sales and purchases of those assets. To classify the assets held by our subsidiaries as qualifying real estate assets or real estate- related assets, we rely on no- action letters and other guidance published by the SEC staff regarding those kinds of assets, as well as upon our analyses (in consultation with outside counsel) of guidance published with respect to other types of assets. There can be no assurance that the laws and regulations governing the **1940** ~~Investment Company~~ Act status of companies similar to ours, or the guidance from the SEC staff regarding the treatment of assets as qualifying real estate assets or real estate- related assets, will not change in a manner that adversely affects our operations. In fact, in August 2011, the SEC published a concept release in which it asked for comments on this exclusion from registration. To the extent that the SEC staff provides more specific guidance regarding any of the matters bearing upon our exclusion from the definition of an investment company under the **1940** ~~Investment Company~~ Act, we may be required to adjust our strategy accordingly. Any additional guidance from the SEC staff could further inhibit our ability to pursue the strategies that we have chosen. Furthermore, although we monitor the assets of our subsidiaries regularly, there can be no assurance that our subsidiaries will be able to maintain their exclusion from registration. Any of the foregoing could require us to adjust our strategy, which could limit our ability to make certain investments or require us to sell assets in a manner, at a price or at a time that we otherwise would not have chosen. This could negatively affect the value of our common shares, the sustainability of our business model, and our ability to pay dividends to our shareholders. If we were required to

register as an investment company under the **1940** ~~Investment Company~~ Act, we would be subject to the restrictions imposed by the **1940** ~~Investment Company~~ Act, which would require us to make material changes to our strategy that could have a materially adverse effect on our business, financial condition, and results of operations. **Our shareholders' ability to control** ~~To assist us in qualifying as a REIT, among other purposes, our declaration of trust restricts the beneficial or~~ **our operations** ~~constructive ownership of our shares by any person to no more than 9. 8 % in value or in number of shares, whichever~~ is **severely limited** ~~more restrictive, of the outstanding shares of any class or series of our shares. This and other restrictions on ownership and transfer of our shares contained in our declaration of trust may discourage a change of control of us and may deter individuals or entities from making tender offers for our common shares on terms that might be financially attractive to you or which may cause a change in our management. In addition to deterring potential transactions that may be favorable to our shareholders, these provisions may also decrease your ability to sell our common shares~~ . Our Board of Trustees has approval rights with respect to our major strategies, including our strategies regarding investments, financing, growth, debt capitalization, ~~REIT qualification~~ and distributions. Our Board of Trustees may amend or revise these and other strategies without a vote of our shareholders **. Certain provisions of Maryland law could inhibit a change in our control** . Certain provisions of the Maryland General Corporation Law, or the" MGCL," applicable to a Maryland real estate investment trust may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change in our control under circumstances that otherwise could provide the holders of our common shares with the opportunity to realize a premium over the then prevailing market price of such shares. We are subject to the" business combination" provisions of the MGCL that, subject to limitations, prohibit certain business combinations between us and an" interested shareholder" (defined generally as any person who beneficially owns 10 % or more of our then outstanding voting shares or an affiliate or associate of ours who, at any time within the two- year period prior to the date in question, was the beneficial owner of 10 % or more of our then outstanding voting shares) or an affiliate thereof for five years after the most recent date on which the shareholder becomes an interested shareholder and, thereafter, imposes minimum price or supermajority shareholder voting requirements on these combinations. These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by the board of trustees of a real estate investment trust prior to the time that the interested shareholder becomes an interested shareholder. Pursuant to the statute, our Board of Trustees has by resolution exempted business combinations between us and any other person, provided that the business combination is first approved by our Board of Trustees, including a majority of our trustees who are not affiliates or associates of such person. This resolution, however, may be altered or repealed in whole or in part at any time. If this resolution is repealed, or our Board of Trustees does not otherwise approve a business combination, this statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer. The" control share" provisions of the MGCL provide that holders of" control shares" of a Maryland real estate investment trust (defined as shares which, when aggregated with all other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in the election of trustees) acquired in a" control share acquisition" (defined as the acquisition of" control shares," subject to certain exceptions) have no voting rights with respect to the control shares except to the extent approved by the Maryland real estate investment trust' s shareholders by the affirmative vote of at least two- thirds of all the votes entitled to be cast on the matter, excluding votes entitled to be cast by the acquirer of control shares, its officers and its trustees who are also employees of the Maryland real estate investment trust. Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our shares. There can be no assurance that this provision will not be amended or eliminated at any time in the future. The" unsolicited takeover" provisions of the MGCL permit our Board of Trustees, without shareholder approval and regardless of what is currently provided in our declaration of trust or bylaws, to implement certain provisions. These provisions may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in our control under circumstances that otherwise could provide the holders of our common shares with the opportunity to realize a premium over the then current market price. Our **authorized but unissued common and preferred shares may prevent a change in our control. Our** declaration of trust authorizes us to issue additional authorized but unissued common shares and preferred shares. In addition, our Board of Trustees may, without shareholder approval, approve amendments to our declaration of trust to increase the aggregate number of our authorized shares or the number of shares of any class or series that we have authority to issue and may classify or reclassify any unissued common shares or preferred shares and may set the preferences, rights and other terms of the classified or reclassified shares. As a result, among other things, our Board of Trustees may establish a class or series of common shares or preferred shares that could delay or prevent a transaction or a change in our control that might involve a premium price for our common shares or otherwise be in the best interests of our shareholders **. Our rights and the rights of our shareholders to take action against our trustees and officers or against our Manager or Ellington are limited, which could limit shareholders' recourse in the event actions are taken that are not in their best interests** . Our declaration of trust limits the liability of our present and former trustees and officers to us and our shareholders for money damages to the maximum extent permitted under Maryland law. Under current Maryland law, our present and former trustees and officers will not have any liability to us or our shareholders for money damages other than liability resulting from: • actual receipt of an improper benefit or profit in money, property or services; or • active and deliberate dishonesty by the trustee or officer that was established by a final judgment and is material to the cause of action. Our declaration of trust authorizes us to indemnify our present and former trustees and officers for actions taken by them in those and other capacities to the maximum extent permitted by Maryland law. Our bylaws require us to indemnify each present and former trustee or officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us as a trustee or officer or in certain other capacities. In addition, we may be obligated to pay or reimburse the expenses incurred by our present and former trustees and officers without requiring a preliminary determination of their ultimate entitlement to indemnification. As a result, we and our shareholders may have more limited rights against our present and former trustees and officers than

might otherwise exist absent the current provisions in our declaration of trust and bylaws or that might exist with other companies, which could limit ~~your~~ **shareholders'** recourse in the event of actions not in ~~your~~ **their** best ~~interest~~ **interests** . Our declaration of trust contains provisions that make removal of our trustees difficult, which could make it difficult for our shareholders to effect changes to our management. Our declaration of trust provides that, subject to the rights of holders of any series of preferred shares, a trustee may be removed only for" cause" (as defined in our declaration of trust), and then only by the affirmative vote of at least two- thirds of the votes entitled to be cast generally in the election of trustees. Vacancies generally may be filled only by a majority of the remaining trustees in office, even if less than a quorum, for the full term of the class of trustees in which the vacancy occurred. These requirements make it more difficult to change our management by removing and replacing trustees and may prevent a change in our control that is in the best interests of our shareholders. **Risks Related to our Intention To Convert to a Registered Closed- End Fund / RIC We may not be able to obtain the necessary approvals to convert to a registered closed- end fund to be treated as a RIC. On April 1, 2024, we announced our intention to focus our investment strategy on CLOs. In connection with this strategic transition, we have revoked our REIT election effective as of January 1, 2024 and intend to complete the Conversion on April 1, 2025 (the" RIC Conversion").** Our **ability** ~~declaration of trust generally does not permit ownership in excess of 9. 8 % of any class or series of our shares of beneficial interest, and attempts~~ to **complete** ~~acquire our shares in excess of~~ the **RIC Conversion** ~~share ownership limits~~ will be ~~ineffective unless an exemption is granted by our Board of Trustees. Our declaration of trust generally prohibits beneficial or constructive ownership by any person of more than 9. 8 % in value or by number of shares, whichever is more restrictive, of any class or series of our outstanding shares and contains certain other limitations on the ownership and transfer of our shares. Our Board of Trustees, in its sole discretion, may grant an exemption to certain of these prohibitions,~~ subject to certain conditions and ~~receipt by our board of certain representations and undertakings. Our Board of Trustees may from~~ **there can be no assurance that the conditions to the RIC Conversion will be satisfied in a** ~~time~~ **timely manner** ~~to time increase this ownership limit for~~ **or at** ~~one or more persons and may increase or decrease such limit for~~ all ~~other persons. Any decrease in the ownership limit generally applicable to all shareholders~~ **, or that an effect, event, circumstance, occurrence, development or change** will not ~~be effective~~ **transpire that could delay** ~~for~~ **or prevent these conditions from being satisfied. Accordingly, we cannot provide** any ~~person whose percentage ownership~~ **assurances with respect to the timing** of **the RIC Conversion** ~~our~~ **or whether the RIC Conversion** ~~shares is in excess of such decreased ownership limit until such time as such person' s percentage ownership of our shares equals or falls below such decreased ownership limit, but any further acquisition of our shares in excess of such decreased ownership limit~~ will be **completed at** ~~in violation of the decreased ownership limit. Our Board of Trustees may not increase the ownership limit (whether for one person or~~ all ~~shareholders) if such increase would allow five or fewer individuals to beneficially own more than 49~~ . ~~9 % in value of our outstanding shares. Our declaration of trust' s constructive ownership rules are complex and may cause the outstanding shares owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 9. 8 % of the outstanding shares of any class or series by an individual or entity could cause that individual or entity to own constructively in excess of 9. 8 % of the outstanding shares of such class or series and thus violate the ownership limit or other restrictions on ownership and transfer of our shares. Any~~ **An investment in** ~~attempt to own or transfer~~ our common shares ~~or preferred shares (if and when issued) in excess of such ownership limit without the consent of our board of trustees or in a manner that would cause us to be" closely held" under Section 856 (h) of the Code (without regard to whether the shares are held during the last half of a taxable year) or otherwise fail to qualify as~~ **has various U** ~~a REIT will result in the shares being automatically transferred to a trustee for a charitable trust or, if the transfer to the charitable trust is not automatically effective to prevent a violation of the share ownership limits or the restrictions on ownership and transfer of our shares, any such transfer of our shares will be void ab initio~~ . ~~Further~~ **S. federal** , **state, and local income tax risks** ~~any transfer of our shares that would result in our shares being beneficially owned by fewer than 100 persons will be void ab initio~~ . We strongly urge ~~you~~ **shareholders** to consult **their** ~~your own~~ tax ~~advisor~~ **advisors** concerning the effects of U. S. federal, state, and local income tax law on an investment in our common shares and on ~~your~~ **their** individual tax situation. **We are no longer taxed** ~~Our failure to maintain our qualification~~ as a REIT **. We have revoked our election to be taxed as a REIT effective as of January 1, 2024. Since January 1, 2024, we have been subject to tax as a C- corporation at regular corporate rates. Failure to qualify as a REIT in prior years** would subject us to ~~U. S.~~ federal ~~, state and local~~ income ~~taxes~~ -- **tax** ~~, which could adversely affect the value of our common shares and could substantially reduce the cash available for distribution to our shareholders~~ . ~~We believe that~~ **Prior to our 2024 tax year,** we ~~have been organized in conformity with, and have~~ operated in a manner that ~~has enabled~~ **was intended to cause** us to ~~meet, the requirements~~ **qualify as a REIT** for ~~qualification as a REIT under the Code; however, we cannot assure you that we will remain qualified as a REIT. The U. S.~~ federal income **tax purposes. However, the** tax laws governing REITs are **extremely** complex, and interpretations of the ~~U. S. federal income~~ tax laws governing qualification as a REIT are limited. Qualifying as a REIT ~~requires~~ **required** us to meet ~~various~~ **numerous income and other** tests ~~regarding the nature of our assets, our income and our earnings and profits, or" E & P" (calculated pursuant to Code Sections 316 and 857 (d) and the regulations thereunder), the ownership of our outstanding shares, and the amount of our distributions on an ongoing basis~~ . ~~Our ability to satisfy the REIT asset tests depends upon the characterization and fair market values of our assets, some of which are not precisely determinable, and for which we may not obtain independent appraisals. Our compliance with the REIT asset and income tests and the accuracy of our tax reporting to shareholders also depend upon our ability to successfully manage the calculation and composition of our gross and net taxable income, our E & P and our assets on an ongoing basis. Even a technical or inadvertent mistake could jeopardize our REIT status. Although we believe we have operated in the past and currently operate so as to maintain our qualification as a REIT, given~~ **Given** the **highly** complex nature of the rules governing REITs, the ongoing importance of factual determinations, ~~including the potential tax treatment of the investments we make,~~ and the possibility of ~~future~~ changes in our circumstances, no assurance can be given that **we qualified** ~~our actual results of~~

~~operations~~ for any particular ~~taxable~~ year ~~will satisfy such requirements~~. If we ~~fail~~ **failed** to **qualify** ~~maintain our qualification~~ as a REIT ~~in any calendar~~ **prior to our 2024 tax** year ~~,~~ and **we** do not qualify for certain statutory relief provisions, we would **have** ~~be required~~ to pay ~~U. S.~~ federal income tax ~~(and any applicable state and local taxes)~~ on our taxable income ~~at regular corporate rates,~~ **for the year of the failure** and ~~dividends paid to~~ **for the following** ~~our~~ **four years** ~~shareholders would not be deductible by us in computing our taxable income (although such dividends received by certain non- corporate U. S. taxpayers generally would be subject to a preferential rate of taxation). Further, if we fail to maintain our qualification as a REIT, we might need to borrow money or sell assets in order to pay any resulting tax~~. Our payment of income tax **attributable to our failure to qualify as a REIT prior to our 2024 taxable year** would decrease the amount of our income available for distribution to our shareholders. ~~Furthermore~~ **Our ability to utilize our net operating losses (" NOLs") and other carryforwards may be limited. Under the Code** , **a corporation is generally allowed a deduction for NOLs carried over from prior taxable years, subject to certain limitations. As of December 31, 2024, we had approximately $ 39. 8 million of gross federal NOL carryforwards available to reduce future federal tax liabilities. We also had NOL carryforwards in certain states available to reduce future state tax liabilities. Our NOL carryforwards are subject to adjustment on audit by the Internal Revenue Service and applicable state taxing authorities. Our ability to use our NOLs and other carryforwards depends on the amount of taxable income generated in future periods. Should we recognize a deferred tax asset with respect to such NOLs, there can be no assurance that a valuation allowance will not be required with respect to our NOLs should our financial performance be negatively impacted in the future. In addition, the use of NOLs and other carryforwards to offset taxable income is subject to various limitations, which could limit our ability to utilize these tax attributes to reduce our taxes even** if we ~~fail~~ **generate sufficient taxable income. For example, federal NOLs can be used** to ~~maintain~~ **offset only 80 % of** our ~~qualification~~ **federal taxable income for any taxable year, and Connecticut NOLs can be used to offset only 50 % of our Connecticut taxable income for any taxable year. A corporation' s ability to deduct its federal NOL carryforwards and to utilize certain other available tax attributes can be substantially constrained under the general annual limitation rules of Section 382 of the Code (" Section 382 ") if it undergoes an " ownership change "** as ~~a REIT~~ **defined in Section 382. In general** , ~~we no longer~~ **an " ownership change " occurs if 5 % shareholders increase their collective ownership of the aggregate amount of the outstanding shares of our company by more than 50 percentage points looking back over the relevant testing period. If an ownership change occurs, our ability to use our NOL carryforwards and other tax attributes to reduce our taxable income in a future year** would be ~~required under U. S. federal~~ **limited to a Section 382 limitation equal to the fair market value of our common shares immediately prior to the ownership change multiplied by the long- term** tax ~~laws to distribute substantially all~~ **- exempt interest rate in effect for the month** of **the ownership change. An ownership change may severely limit** ~~our~~ - **or effectively eliminate** ~~REIT taxable income to~~ our **ability** ~~shareholders. Unless our failure~~ to ~~maintain~~ **utilize** our **NOL carryforwards and** ~~qualification as a REIT was subject to relief under the~~ **other** ~~U. S. federal~~ tax **attributes** ~~laws, we could not re- elect to qualify as a REIT until the fifth calendar year following the year in which we failed to qualify~~. **Although** ~~To maintain our qualification as a REIT, we must continually satisfy various tests regarding the sources of our income, the nature and diversification of our assets, the amounts we distribute to our shareholders and the ownership of our shares of beneficial interest. In order to meet these tests, we may be required to forego investments we might otherwise make. We may be required to pay dividends to shareholders at disadvantageous times or when~~ we do not **believe** ~~have funds readily available for distribution, and may be unable to pursue investments~~ that ~~would be otherwise advantageous to us in order to satisfy the source of income or asset diversification requirements for qualifying as a REIT. Thus, compliance with the REIT requirements may hinder our investment performance. In particular, we must ensure that at the end of each calendar quarter, we satisfy the REIT 75 % asset test, which requires that at least 75 % of the value of our total assets consist of cash, cash items, government securities and~~ - **an ownership change has occurred** ~~qualified REIT real estate assets, including RMBS. The remainder of our investment in securities (other than government securities and qualified REIT real estate assets) generally cannot include more than 10 % of the outstanding voting securities of any one issuer or more than 10 % of the total value of the outstanding securities of any one issuer. In addition, in general~~ , no **assurance** ~~more than 5 % of the value of our total assets (other than government securities, TRS securities and qualified REIT real estate assets) can consist of the securities of any one issuer, and no more than 20 % of the value of our total assets~~ can be ~~represented~~ **provided as to whether an ownership change has occurred or will occur in the future. Limitations imposed** by ~~securities of one~~ **Sections 382 may discourage us from, among other things, repurchasing** ~~or~~ **our common shares or issuing additional common shares** ~~more TRSs. Generally, if we fail~~ to ~~comply~~ **acquire businesses or assets. We have entered into a Rights Agreement** with **Equiniti Trust Company, LLC, dated as of April 23, 2024 (** ~~these~~ -- **the** ~~requirements at~~ **" Rights Agreement") designed to preserve shareholder value and** the ~~end~~ **value** of ~~any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for~~ certain ~~statutory relief provisions to avoid losing our REIT qualification and becoming subject to U. S. federal income~~ tax ~~and any applicable state and local taxes on all~~ **assets primarily associated with NOL carryforwards under Section 382** of ~~our taxable income. In addition, we must also ensure that each taxable year we satisfy~~ the **Code. See" Risks** ~~REIT 75 % and 95 % gross income tests, which require that, in general, 75 % of our gross income come from certain real estate- related~~ **Related to** ~~sources and 95 % of our gross income consist of gross income that qualifies for the REIT 75 % gross income test or~~ **our Organization and Structure — The Rights Agreement** ~~certain other passive income sources. As a result of the requirement~~ that we **entered into** ~~satisfy both the REIT 75 % asset test and the REIT 75 % and 95 % gross income tests, we may be required~~ to **protect** ~~liquidate from our portfolio otherwise attractive investments or~~ **our** ~~contribute such investments to a TRS, in which event they would be subject to regular corporate U. S. federal, state and local taxes~~ -- **tax attributes** ~~assuming that the TRS is organized in the United States. These actions~~ could **hinder the market for our Common Shares." We** have **made a mark-** ~~the effect of reducing our income and amounts available for distribution~~ to **-** ~~our shareholders. Generally, if we fail to comply with the income requirements at the~~

end of any calendar year, we will lose our REIT qualification and may be subject to U. S. federal income tax and any applicable state and local taxes on all of our taxable income. Failure to make **market election under Section 475** required distributions would subject us to tax, which would reduce the cash available for distribution to our shareholders. To maintain our qualification as a REIT, we must distribute to our shareholders each calendar year at least 90 % of our REIT taxable income (**f** including certain items of non- cash income) , determined excluding any net capital gains and without regard to the deduction for dividends paid. Distributions of our taxable income must generally occur in the taxable year to which they **the Code** relate, or in the following taxable year if declared before we timely file our tax return for the year and if paid with or before the first regular dividend payment after such declaration. To the extent that we satisfy the REIT 90 % distribution requirement, but distribute less than 100 % of our taxable income, we will be subject to U. S. federal corporate income tax (and any applicable state and local taxes) on our undistributed income. In addition, we will incur a 4 % nondeductible excise tax on the amount, if any, by which our distributions in any calendar year are less than the sum of: • 85 % of our REIT ordinary income for that year; • 95 % of our REIT capital gain net income for that year; and • any undistributed taxable income from prior years. We intend to distribute our taxable income to our shareholders in a manner that would satisfy the REIT 90 % distribution requirement and to avoid the corporate income tax. These distributions will limit our ability to retain earnings and thereby replenish or increase capital from operations. However, there is no requirement that TRSs distribute their after- tax net income to their parent REIT. Our taxable income may substantially exceed our net income as determined based on GAAP, because, for example, realized capital losses will be deducted in determining our GAAP net income, but may not be deductible in computing our taxable income . We have made an election under Section 475 (f) of the Code to mark our securities to market, **on** which may cause us to recognize taxable gains for a **go- forward basis** taxable year with respect to such securities without the receipt of any cash corresponding to such gains. Additionally , E & P in any foreign TRS **effective as of January 1, 2021. There** are taxable to us, regardless of whether such earnings are distributed. However, overall losses in our TRSs will not reduce our taxable income, and will generally not provide any benefit to us, except for being carried forward against future TRS taxable income in the case of a domestic TRS. Also, our ability, or the ability of our subsidiaries, to deduct interest may be limited under Section 163 (j) of the Code. In addition, we may invest in assets that generate taxable income in excess of economic income or in advance of the corresponding cash flow from the assets. As a result of the foregoing, we may generate less cash flow than taxable income in a particular year. To the extent that we generate such non- cash taxable income in a taxable year or have limitations on our deductions, we may incur corporate income tax and the 4 % nondeductible excise tax on that income if we do not distribute such income to shareholders in that year. In that event, we may be required to use cash reserves, incur debt, sell assets, make taxable distributions of our shares or debt securities or liquidate non- cash assets at rates, at terms or at times that we regard as unfavorable, in order to satisfy the distribution requirement and to avoid corporate income tax and the 4 % nondeductible excise tax in that year. Conversely, from time to time, we may generate taxable income less than our income for financial reporting purposes due to GAAP and tax accounting differences or, as mentioned above, the timing between the recognition of taxable income and the actual receipt of cash. In such circumstances we may make distributions according to our business plan that are within our wherewithal from an economic or cash management perspective, but that are labeled as return of capital for tax reporting purposes, as they are in excess of taxable income in that period. Utilizing net operating loss or net capital loss carryforwards may allow us to reduce our required distributions to shareholders or our income tax liability, which would allow us to retain future taxable income as capital. However, if we choose to nonetheless make distributions according to our business plan or if we do not generate sufficient taxable income of the appropriate tax character, such net operating loss or net capital loss carryforwards may not be fully utilized. To the extent that our net operating loss or net capital loss carryforwards expire unutilized, we may not fully realize the benefit of these tax attributes which could lead to higher annual distribution requirements or tax liabilities. Determination of our REIT taxable income and of our E & P involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. If the IRS disagrees with our determination, it could affect our satisfaction of the distribution requirement. Under certain circumstances, we may be able to correct a failure to meet the distribution requirement for a year by paying" deficiency dividends" to our shareholders in a later year. We may include such deficiency dividends in our deduction for dividends paid for the earlier year. Although we may be able to avoid income tax on amounts distributed as deficiency dividends, we will be required to pay interest and a penalty to the IRS based upon the amount of any deduction we take for deficiency dividends. Even if we maintain our qualification as a REIT, we may face other tax liabilities that reduce our cash flows. Even if we qualify for taxation as a REIT, we may be subject to certain U. S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. In addition, any domestic TRSs we form will be subject to regular corporate U. S. federal, state and local taxes. Any of these taxes would decrease cash available for distributions to shareholders. The failure of RMBS subject to a repurchase agreement to qualify as real estate assets would adversely affect our ability to maintain our qualification as a REIT. We have entered into repurchase agreements under which we nominally sell certain of our RMBS to a counterparty and simultaneously enter into an agreement to repurchase the sold assets. We believe that, for U. S. federal income tax purposes, these transactions will be treated as secured debt and we will be treated as the tax owner of the RMBS that are the subject of any such repurchase agreement, notwithstanding that such agreements may transfer record ownership of such assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could successfully assert that we do not own the RMBS during the term of the repurchase agreement, in which case we could fail to maintain our qualification as a REIT. Uncertainty exists with respect to the treatment of our TBAs for purposes of the REIT asset and income tests. We purchase and sell Agency RMBS through TBAs and recognize income or gains from the disposition of those TBAs, through dollar roll transactions or otherwise, and may continue to do so in the future. While there is no direct authority with respect to the qualification of TBAs as real estate assets or U. S. Government securities for purposes of the REIT 75 % asset test or the qualification of income or gains from dispositions of

~~TBAs as gains from the sale of real property or other qualifying income for purposes of the REIT 75 % gross income test, we treat the GAAP value of our TBAs under which we contract to purchase to- be- announced Agency RMBS (" long TBAs") as qualifying assets for purposes of the REIT 75 % asset test, and we treat income and gains from our long TBAs as qualifying income for purposes of the REIT 75 % gross income test, based on an opinion of Hunton Andrews Kurth LLP substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a long TBA should be treated as ownership of real estate assets, and (ii) for purposes of the REIT 75 % gross income test, any gain recognized by us in connection with the settlement of our long TBAs should be treated as gain from the sale or disposition of an interest in mortgages on real property. Opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that the opinion of counsel is based on various assumptions relating to our TBAs and is conditioned upon fact- based representations and covenants made by our management regarding our TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to successfully challenge the opinion of counsel, we could be subject to a penalty tax or we could fail to remain qualified as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs. The REIT provisions of the Code substantially limit our ability to hedge. Under these provisions, any income that we generate from transactions intended to hedge our interest rate risk will be excluded from gross income for purposes of the REIT 75 % and 95 % gross income tests if the instrument hedges interest rate risk on liabilities incurred to carry or acquire real estate, and such instrument is properly identified under applicable Treasury Regulations. The requirements in the Treasury Regulations related to identifying hedging transactions are highly technical and complex for which only limited judicial and administrative authorities exist, and the IRS could disagree with and successfully challenge our treatment and identifications of such hedging transactions. Income from hedging transactions that do not meet these requirements will generally constitute non- qualifying income for purposes of both the REIT 75 % and 95 % gross income tests and could cause us to fail to maintain our qualification as a REIT. Our aggregate gross income from such transactions, along with other gross income that does not qualify for the REIT 95 % gross income test, cannot exceed 5 % of our annual gross income. As a result, we might have to limit our use of advantageous hedging techniques, and we may choose to implement certain hedges through a domestic or foreign TRS. Any hedging income earned by a domestic TRS would be subject to U. S. federal, state and local income tax at regular corporate rates. This could increase the cost of our hedging activities or expose us to greater risks associated with interest rate changes or other changes than we would otherwise want to bear. In addition, losses in our TRSs will generally not provide any tax benefit, except for being carried forward against future TRS taxable income in the case of a domestic TRS. Even if the income from certain of our hedging transactions is excluded from gross income for purposes of the REIT 75 % and 95 % gross income tests, such income and any loss will be taken into account in determining our REIT taxable income and our distribution requirement and the GAAP value of our hedging assets will not be treated as qualified real estate assets for the REIT asset test. If the IRS disagrees with our calculation of the amount or amortization of gain or loss with respect to our hedging transactions, including the impact of our election~~ under Section 475 (f) of the Code ~~and the treatment of hedging expense and losses~~ **as to what constitutes a trader for U. S. federal income tax purposes.** ~~under~~ **Under other** ~~Section~~ **sections** ~~163 (j)~~ of the Code ~~and Treasury Regulation Section 1. 446- 4~~ , ~~our distribution requirement could increase, which could require that we correct any shortfall in distributions by paying deficiency dividends to our shareholders in a later year. Our ownership of and relationship with our TRSs will be limited, and a failure to comply with~~ the ~~limits would jeopardize our REIT~~ status ~~and may result in the application~~ of a **trader in securities depends** ~~100 % excise tax. A REIT may own~~ -- **on all** ~~up to 100 %~~ of the ~~stock~~ **facts and circumstances, including the nature** of **the** ~~one or more TRSs. A TRS may earn~~ income **derived from** ~~that would not be qualifying income if earned directly by the parent REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation (other~~ -- **the taxpayer** ~~than a REIT) of which a TRS directly or indirectly owns more than 35 % of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20 % of the value of a REIT~~ ' s ~~total assets may consist~~ **activities, the frequency, extent and regularity** of ~~stock or~~ **the taxpayer' s** securities **transactions** ~~of one or more TRSs. While we believe that we have managed our affairs so as to satisfy the requirement that no more than 20 % of the value of our total assets consists of stock or securities of our TRSs~~ , **and** ~~as well as the requirement that taxable income from our TRSs plus other~~ -- **the taxpayer' s investment intent.** ~~non- qualifying gross income not exceed 25 % of our total gross income, there~~ **There** can be no assurance that we will **continue** ~~be able~~ to ~~do so~~ **qualify as a trader** in ~~all~~ **securities eligible to make a mark- to-** market **election. We have not received, nor are we seeking, an opinion from counsel or a ruling from the IRS regarding its qualification as a trader. If the qualification for, or our application of, such election were successfully challenged by the IRS, in whole or in part, it could, depending on the** circumstances **, result in retroactive (** ~~. The TRS rules limit the deductibility of interest paid~~ or **prospective) changes in** ~~accrued by a TRS to its parent REIT to assure that~~ the ~~TRS is subject to~~ **amount or timing of recognized gross income,** ~~an~~ **and potentially jeopardize our intention to qualify as** ~~appropriate level of corporate taxation. The rules also impose~~ a **RIC. Finally, mark** ~~100 % excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm' s-~~ **to- market gains** ~~length basis. Any domestic TRS that we form will pay U. S. federal, state~~ and ~~local income tax on~~ **losses could cause volatility in the amount of** its taxable income **. For instance** ~~at regular corporate tax rates~~ , **the mark** ~~and its after- tax net income will be available for distribution~~ to **- market election could generate losses in one taxable year** ~~us but is not required to be distributed to us. In certain circumstances, the ability to deduct interest expense by any TRS~~ that we ~~may form could be limited. We intend to structure our foreign TRSs so that their income and operations will not be subject to U. S. federal, state and local income tax. For example, the Code and the Treasury Regulations promulgated thereunder specifically provide that a non- U. S. corporation is not a U. S. trade or business and therefore is not subject to U. S. federal income tax if it restricts its activities in the United States to trading in stock and securities (or any activity closely related thereto) for its own account irrespective of whether such trading (or such other activity) is conducted by such a non- U. S. corporation or its employees~~

through a resident broker, commission agent, custodian or other agent. However, there is no assurance that our foreign TRSs will successfully operate so that they are not subject to federal, state and local income tax. If the IRS successfully challenged that tax treatment, it would reduce the amount that those foreign TRSs would have available to pay to their creditors and to distribute to us. E & P in our foreign TRSs are taxable to us, and are not qualifying income for the purposes of the REIT 75 % gross income tests, regardless of whether such earnings are distributed to us. In addition, losses in our foreign TRSs generally will not provide any tax benefit prior to liquidation. We intend to monitor the value of our respective investments in our foreign and any domestic TRSs for the purpose of ensuring compliance with TRS ownership limitations. In addition, we will review all of our transactions with our TRSs to ensure that they are entered into on arm' s- length terms to avoid incurring the 100 % excise tax described below. There can be no assurance, however, that we will be able **unable** to **use to offset** comply with the 20 % limitation or avoid application of the 100 % excise tax discussed below. The tax implications of the corporate CLOs in which we invest are complex and, in some circumstances, unclear. In particular, we may recognize taxable income on certain of our CLO investments without the concurrent receipt of cash , **followed** or in excess of the actual or anticipated yield generated by **mark- to- market gains** such investments. Our ownership limitation may restrict change of control or business combination opportunities in which **a subsequent taxable year that force us to make additional distributions to** our shareholders might receive a premium for their common shares . **Hence** In order for us to maintain our qualification as a REIT , no more than 50 % in value of our outstanding shares may be owned, directly or indirectly, by five or fewer individuals during the last half of any calendar year." Individuals" for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. In order to help us maintain our qualification as a REIT, among other purposes, our declaration of trust generally prohibits any person from beneficially or constructively owning more than 9. 8 % in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our shares. The ownership limitation and other restrictions could have the effect of discouraging a takeover or other transaction in which holders of our common shares might receive a premium for their common shares over the then - **the mark** - prevailing **to-** market price or which holders might believe to be otherwise in their best interests. Dividends payable by REITs do not qualify for the reduced tax rates available for" qualified dividend income." Qualified dividend income payable to U. S. investors that are individuals, trusts, and estates is subject to the reduced maximum tax rate applicable to long- term capital gains . Dividends payable by REITs, however, generally are not eligible for the reduced rates on qualified dividend income. Rather, for taxable years beginning prior to January 1, 2026, non- corporate taxpayers may deduct up to 20 % of certain pass- through business income, including" qualified REIT dividends" (generally, dividends received by a REIT shareholder that are not designated as capital gain dividends or qualified dividend income), subject to certain limitations. To qualify for this deduction, the shareholder receiving such dividend must hold the dividend- paying REIT shares for at least 46 days (taking into account certain special holding period rules) of the 91- day period beginning 45 days before the shares become ex- dividend, and cannot be under an **and losses** obligation to make related payments with respect to a position in substantially similar or related property. Under current law, the special 20 % deduction will expire for taxable years beginning on or after January 1, 2026. Even if a domestic shareholder qualifies for this deduction, the effective rate for such REIT dividends still remains higher than the top marginal rate applicable to " qualified dividend income " received by U. S. individuals. Although the reduced U. S. federal income tax rate applicable to qualified dividend income does not adversely affect the taxation of REITs or dividends payable by REITs, the more favorable rates applicable to regular corporate qualified dividends and the reduction in the corporate tax rate under the Tax Cuts and Jobs Act could cause **us** investors who are taxed at individual rates and regulated investment companies to **distribute more dividends** perceive investments in the stocks of REITs to **our shareholders in a particular period than would otherwise** be **desirable** relatively less attractive than investments in the stocks of non- REIT corporations that pay dividends treated as qualified dividend income, which could adversely affect the value of the stock of REITs, including our common shares. We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common shares. At any time, the U. S. federal income tax laws or regulations governing REITs or the administrative interpretations of those laws or regulations may be amended. We cannot predict when or if any new U. S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U. S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation or interpretation may take effect retroactively. Changes to the tax laws, with or without retroactive application, could significantly and negatively affect our shareholders or us. Several recent proposals have been made that would make substantial changes to the U. S. federal income tax laws. We cannot predict the long- term effect of any future changes on REITs or assure our shareholders that any such changes will not adversely affect the taxation of a shareholder. We and our shareholders could be adversely affected by any such change in, or any new, U. S. federal income tax law, regulation or administrative interpretation. Certain financing activities may subject us to U. S. federal income tax and could have negative tax consequences for our shareholders. We currently do not intend to enter into any transactions that could result in our, or a portion of our assets, being treated as a taxable mortgage pool for U. S. federal income tax purposes. If we enter into such a transaction in the future we will be taxable at the highest corporate income tax rate on a portion of the income arising from a taxable mortgage pool, referred to as" excess inclusion income," that is allocable to the percentage of our shares held in record name by disqualified organizations (generally tax- exempt entities that are exempt from the tax on unrelated business **perspective** taxable income, such as state pension plans and charitable remainder trusts and government entities). In that case, under our declaration of trust, we could reduce distributions to such shareholders by the amount of tax paid by us that is attributable to such shareholder' s ownership. If we were to realize excess inclusion income, IRS guidance indicates that the excess inclusion income would be allocated among our shareholders in proportion to our dividends paid. Excess inclusion income cannot be offset by losses of our shareholders. If the shareholder is a tax- exempt entity and not a disqualified organization, then this income would be fully taxable as unrelated business taxable income under Section 512 of the Code. If the shareholder is a foreign person, it would be subject to U. S. federal income tax at the maximum tax rate

~~and withholding will be required on this income without reduction or exemption pursuant to any otherwise applicable income tax treaty~~ . Our recognition of" phantom" income may reduce a shareholder' s after- tax return on an investment in our common shares. We may recognize taxable income in excess of our economic income, known as phantom income, in the first years that we hold certain investments, and experience an offsetting excess of economic income over our taxable income in later years. In addition, in years when we have a capital loss carryforward that offsets current year capital gains, our earnings and profits may be higher than our taxable income. As a result, shareholders at times may be required to pay U. S. federal income tax on distributions taxable as dividends that economically represent a return of capital rather than a dividend. These distributions could be offset in later years by distributions that would be treated as returns of capital for U. S. federal income tax purposes. Taking into account the time value of money, this acceleration or increase of U. S. federal income tax liabilities may reduce a shareholder' s after- tax return on his or her investment to an amount less than the after- tax return on an investment with an identical before- tax rate of return that did not generate phantom income. ~~Liquidation of our assets~~ **Our investments in corporate CLOs** may **result in** ~~jeopardize our REIT qualification or~~ **our recognizing taxable income prior to receiving cash distributions related to such income. The tax implications of the corporate CLOs in which we invest are complex and, in some circumstances, unclear. In particular, we may recognize taxable income on certain of our CLO investments without the concurrent receipt of cash, or in excess of the actual or anticipated yield generated by such investments. We, Ellington, or its affiliates** may be subject to ~~a 100 % tax. To maintain our qualification as a REIT, we must comply with requirements regarding our assets and our sources of income. If we are compelled to liquidate our assets to repay obligations to our lenders or for other reasons, we may be unable to comply with these requirements, thereby jeopardizing our qualification as a REIT, or we may be subject to a 100 % tax on any resultant gain if we sell assets that are treated as inventory or property held primarily for sale to customers in the ordinary course of business. The tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of securitizing RMBS, that would be treated as sales of dealer property for U. S. federal income tax purposes. A REIT' s net income from prohibited transactions is subject to a 100 % tax with no offset for losses. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including mortgage loans, held primarily for sale to customers in the ordinary course of business. We might be subject to this tax if we dispose of or securitize RMBS in a manner that was treated as dealer activity for U. S. federal income tax purposes. Therefore, in order to avoid the prohibited transactions tax, we may choose not to engage in certain sales or securitization structures, even though the transactions might otherwise be beneficial to us. Alternatively, in order to avoid the prohibited transactions tax, we may choose to implement certain transactions through a TRS, including by contributing or selling the assets to a TRS. Although we expect to avoid the prohibited transactions tax by conducting the sale of property that may be characterized as dealer property through a TRS, such TRS will be subject to federal, state and local corporate income tax and may incur a significant tax liability as a result of those sales conducted through the TRS. No assurance can be given that any property that we sell will not be treated as property held for sale to customers, or that we can satisfy certain safe- harbor provisions of the Code that would prevent such treatment. Moreover, no assurance can be given that the IRS will respect the transaction by which property that may be characterized as dealer property is contributed to the TRS. If any property sold is treated as property held for sale to customers or if the contribution of property is not respected, then we may be treated as having engaged in a prohibited transaction, and our net income therefrom would be subject to a 100 % tax. We have made a mark- to- market election under Section 475 (f) of the Code. If the IRS challenges our application of that election, it may jeopardize our REIT qualification. We have made an election under Section 475 (f) of the Code to mark our securities to market effective as of January 1, 2021. There are limited authorities under Section 475 (f) of the Code as to what constitutes a trader for U. S. federal income tax purposes, and how such an election would be applied in the context of a REIT. Under other sections of the Code, the status of a trader in securities depends on all of the facts and circumstances, including the nature of the income derived from the taxpayer' s activities, the frequency, extent and regularity of the taxpayer' s securities transactions, and the taxpayer' s investment intent. There can be no assurance that we will continue to qualify as a trader in securities eligible to make a mark- to- market election. We have not received, nor are we seeking, an opinion from counsel or a ruling from the IRS regarding our qualification as a trader. If the qualification for, or our application of, such election were successfully challenged by the IRS, in whole or in part, it could, depending on the circumstances, result in retroactive (or prospective) changes in the amount or timing of gross income we recognize, and potentially jeopardize our REIT qualification. Furthermore, the law is unclear as to the treatment of mark- to- market gains and losses under the various REIT tax rules, including, among others, the prohibited transaction and qualified liability hedging rules. While there is limited analogous authority, we treat any mark- to- market gains as qualifying income for purposes of the REIT 75 % gross income test to the extent that the gain is recognized with respect to a qualifying real estate asset, based on an opinion of Hunton Andrews Kurth LLP substantially to the effect that any such gains recognized with respect to assets that would produce qualifying income for purposes of the REIT 75 % and / or 95 % gross income test, as applicable, if they were actually sold should be treated as qualifying income to the same extent for purposes of the REIT 75 % and / or 95 % gross income test, as applicable, and any such gains should not be subject to the prohibited transaction tax. If the IRS were to successfully treat our mark- to- market gains as subject to the prohibited transaction tax or to successfully challenge the treatment or timing of recognition of our mark- to- market gains or losses with respect to our qualified liability hedges, we could owe material federal income or penalty tax or, in some circumstances, even fail to maintain our qualification as a REIT. Finally, mark- to- market gains and losses could cause volatility in the amount of our taxable income. For instance, the mark- to- market election could generate losses in one taxable year that we are unable to use to offset taxable income, followed by mark- to- market gains in a subsequent taxable year that force us to make additional distributions to our shareholders. Hence, the mark- to- market gains and losses could cause us to distribute more dividends to our shareholders in a particular period than would otherwise be desirable from a business perspective. Our qualification as a REIT and exemption from U. S. federal income tax with respect to certain assets may be dependent on the accuracy of legal opinions or advice rendered or given or statements by~~

~~the issuers of assets that we acquire, and the inaccuracy of any such opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate- level tax. When purchasing securities, we may rely on opinions or advice of counsel for the issuer of such securities, or statements made in related offering documents, for purposes of determining whether such securities represent debt or equity securities for U. S. federal income tax purposes, the value of such securities, and also to what extent those securities constitute qualified real estate assets for purposes of the REIT asset tests and produce income which qualifies under the REIT 75 % gross income test. The inaccuracy of any such opinions, advice or statements may adversely affect our REIT qualification and result in significant corporate- level tax. Additionally, counsel is generally under no obligation to update any such opinions after they are issued. Hence, subsequent changes to the purchased securities or in the applicable law may cause such opinions to become inaccurate or outdated despite being accurate when issued and may also adversely affect our REIT qualification and result in significant corporate- level tax. General Risk Factors We, Ellington, or its affiliates may be subject to~~ adverse legislative ~~or ,~~ regulatory **or public policy** changes. At any time, U. S. federal, state, local, or foreign laws or regulations that impact our business, or the administrative interpretations of those laws or regulations, may be enacted or amended. We cannot predict when or if any new law, regulation, or administrative interpretation, or any amendment to or repeal of any existing law, regulation, or administrative interpretation, will be adopted or promulgated or will become effective. Additionally, the adoption or implementation of any new law, regulation, or administrative interpretation, or any revisions in or repeals of these laws, regulations, or administrative interpretations, could cause us to change our portfolio, could constrain our strategy, or increase our costs. We could be adversely affected by any change in or any promulgation of new law, regulation, or administrative interpretation. **In addition, political leaders in the U. S. and certain foreign countries have recently been elected on protectionist platforms, fueling doubts about the future of global free trade. The U. S. government has indicated its intent to alter its approach to international trade policy and in some cases to renegotiate certain existing trade agreements with foreign countries. In addition, the U. S. government has recently imposed tariffs on certain foreign goods and has indicated a willingness to impose tariffs on imports of other products. Some foreign governments have instituted retaliatory tariffs on certain U. S. goods and have indicated a willingness to impose additional tariffs on U. S. products. Global trade disruption, significant introductions of trade barriers and bilateral trade frictions, together with any future downturns in the global economy resulting therefrom, could adversely affect our performance. Changes in U. S. federal policy, including tax policies, and at regulatory agencies occur over time through policy and personnel changes following elections, which lead to changes involving the level of oversight and focus on the financial services industry or the tax rates paid by corporate entities. We cannot predict the ultimate impact of the foregoing on us, our business and investments, or the industries in which we invest generally, and any prolonged uncertainty could also have an adverse impact on us and our investment objectives. Future changes may adversely affect our operating environment, including through increasing competition, and therefore our business, operating costs, financial condition and results of operations. Further, an extended federal government shutdown resulting from failing to pass budget appropriations, adopt continuing funding resolutions, or raise the debt ceiling, and other budgetary decisions limiting or delaying government spending, may negatively impact U. S. or global economic conditions, including corporate and consumer spending, and liquidity of capital markets.** Failure to procure adequate funding and capital would adversely affect our results and may, in turn, negatively affect the value of our common shares and our ability to pay dividends to our shareholders. We depend upon the availability of adequate funding and capital for our operations. **There can be** ~~To maintain our status as a REIT, we are required to distribute to our shareholders at least 90 % of our REIT taxable income annually, determined excluding any net capital gains and without regard to the deduction for dividends paid. As a result, we are not~~ **no** ~~able to retain much or any of our earnings for new investments. We cannot assure~~ **assurance** ~~you~~ that any, or sufficient, funding or capital will be available to us in the future on terms that are acceptable to us. In the event that we cannot obtain sufficient funding and capital on acceptable terms, there may be a negative impact on the value of our common shares and our ability to pay dividends to our shareholders, and ~~you~~ **shareholders** may lose part or all of ~~your~~ **their** investment. We, Ellington, or its affiliates may be subject to regulatory inquiries and proceedings, or other legal proceedings. At any time, industry- wide or company- specific regulatory inquiries or proceedings can be initiated and we cannot predict when or if any such regulatory inquiries or proceedings will be initiated that involve us or Ellington or its affiliates, including our Manager. We believe that the heightened scrutiny of the financial services industry increases the risk of inquiries and requests from regulatory or enforcement agencies. For example, as discussed under the caption Item 3. Legal Proceedings, over the years, Ellington and its affiliates have received, and we expect in the future that we and they may receive, inquiries and requests for documents and information from various federal, state, and foreign regulators. We can give no assurances that, whether the result of regulatory inquiries or otherwise, neither we nor Ellington nor its affiliates will become subject to investigations, enforcement actions, fines, penalties or the assertion of private litigation claims. If any such events were to occur, we, or our Manager' s ability to perform its obligations to us under the management agreement between us and our Manager, or Ellington' s ability to perform its obligations to our Manager under the services agreement between Ellington and our Manager, could be materially adversely impacted, which could materially adversely effect on our business, financial condition and results of operations, and our ability to pay dividends to our shareholders. Future offerings of debt securities,which would rank senior to our common shares upon our bankruptcy liquidation,and future offerings of equity securities which could dilute the common share holdings of our existing shareholders and may be senior to our common shares for the purposes of dividend and liquidating distributions,may adversely affect the market price of our common shares.In the future,we may attempt to increase our capital resources by making offerings of debt securities or additional offerings of equity securities ~~,including through the Rights Agreement~~ .Upon bankruptcy or liquidation,holders of our debt securities and preferred shares,if any,and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common shares.Our preferred shares,if issued,could have a preference on liquidating distributions or a preference on dividend payments or both that could limit our ability to pay a dividend

or other distribution to the holders of our common shares.Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control,we cannot predict or estimate the amount,timing or nature of our future offerings.Thus,holders of our common shares bear the risk of our future offerings ~~,including through the Rights Agreement,~~ reducing the market price of our common shares and diluting their share holdings in us.Future sales of our common shares or other securities convertible into our common shares could cause the market value of our common shares to decline and could result in dilution of **your** shares ~~held by shareholders~~ .Sales of substantial amounts of our common shares or other securities convertible into our common shares could cause the market price of our common shares to decrease significantly.We cannot predict the effect,if any,of future sales of our common shares or other securities convertible into our common shares,or the availability of such securities for future sales,on the market price of our common shares.Sales of substantial amounts of our common shares or other securities convertible into our common shares,or the perception that such **sales could occur,may adversely affect prevailing market values for our common shares.** The market for our common shares may be limited, and the price and trading volume of our common shares may be volatile. While our common shares are listed on the NYSE, such listing does not provide any assurance as to whether or not the market price reflects our actual financial performance, the liquidity of our stock, a holder' s ability to sell our stock and / or at what price such holder could sell our stock. Market prices for our common shares may be volatile and subject to wide fluctuations, including as a result of the trading volume. ~~We cannot~~ **There can be no** ~~assure~~ **assurance** ~~you~~ that the market price of our common shares will not fluctuate or decline significantly in the future. Some of the factors that could negatively affect the price of our common shares, or result in fluctuations in the price or trading volume of our common shares include: • actual or anticipated variations in our dividends or quarterly operating results; • changes in our earnings estimates, failure to meet earnings or operating results expectations of public market analysts and investors, or publication of research reports about us or the real estate specialty finance industry; • increases in market interest rates that lead purchasers of our common shares to demand a higher yield; • repurchases and issuances by us of our common shares; • passage of legislation, changes in applicable law, court rulings, enforcement actions or other regulatory developments that adversely affect us or our industry; • changes in government policies or changes in timing of implementation of government policies, including with respect to Fannie Mae, Freddie Mac, and Ginnie Mae; • changes in market valuations of similar companies; • adverse market reaction to any increased indebtedness we incur in the future; • additions or departures of key management personnel; • actions by shareholders; • speculation in the press or investment community; • adverse changes in global, national, regional and local economic and market conditions, including those relating to pandemics, such as the COVID-19 pandemic, high unemployment, elevated inflation, **tariffs,** volatile interest rates, concerns regarding a recession, geopolitical conflicts, social unrest, or civil disturbances; • our inclusion in, or exclusion from, various stock indices; • our operating performance and the performance of other similar companies; and • changes in accounting principles. Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the market price of our common shares. Future offerings of debt securities, which..... market values for our common shares. Climate change has the potential to impact ~~the properties underlying~~ our investments. Currently, it is not possible to predict how legislation or new regulations that may be adopted to address greenhouse gas emissions will impact the ~~properties~~ **assets** underlying our investments. However, any such future laws and regulations imposing reporting obligations, limitations on greenhouse gas emissions, or additional taxation of energy use could require the owners of ~~properties~~ **assets** to make significant expenditures to attain and maintain compliance. Any new legislative or regulatory initiatives related to climate change could adversely affect our business. The physical impact of climate change could also have a material adverse effect on ~~the properties underlying~~ our investments. Physical effects of climate change such as increases in temperature, sea levels, the severity of weather events and the frequency of natural disasters, such as hurricanes, tropical storms, tornadoes, wildfires, **droughts,** floods and earthquakes, among other effects, could ~~damage~~ **reduce** the ~~properties underlying~~ **value of** our investments. ~~The costs of remediating~~ **We may experience significant fluctuations in** ~~or~~ **our** ~~repairing such damage,~~ **book value per share and quarterly operating results. We may experience significant fluctuations in** ~~or~~ **our book value per share from month to month and in our quarterly operating results due to a number** of **factors, including the timing of distributions to shareholders, fluctuations in the value of our** investments **, our ability or inability to** ~~made~~ **make investments that meet our investment criteria** ~~in advance of such weather events to minimize potential damage~~ , ~~could~~ **the interest and other income earned on our investments, the level of our expenses (including the interest or dividend rate payable on any debt securities or preferred stock that we issue), variations in and the timing of realized and unrealized gains or losses in our portfolio, the degree to which we encounter competition in our markets and general economic conditions. As a result of these factors, our book value per share and results for any period should not** be ~~considerable. Additionally, such actual~~ **relied upon as being indicative of** ~~or~~ **our book value per share and /** ~~threatened climate change related damage could increase the cost of, or make unavailable, insurance on favorable terms on the properties underlying our~~ **or results** ~~investments. Such repair, remediation or insurance expenses could reduce the net operating income of the properties underlying our investments which may~~ in **future periods** ~~turn adversely affect us~~ . We are subject to risks related to corporate social responsibility. Our business faces public scrutiny related to environmental, social and governance (“ ESG ”) activities. We risk damage to our reputation if we or affiliates of our Manager are viewed as failing to act responsibly in a number of areas, such as diversity and inclusion, environmental stewardship, support for local communities, corporate governance and transparency and considering ESG factors in our investment processes. **Some** ~~Investors~~ **investors** ~~are increasingly taking into account~~ **have become more focused on** ESG factors, including climate risks, in determining whether to invest in companies. However, regional and investor specific sentiment often differ in what constitutes a material positive or negative ESG corporate practice. Our corporate social responsibility practices will not uniformly fit investors’ definitions, particularly across geographies and investor types, of best practices for ESG considerations. Adverse incidents with respect to ESG activities could impact the cost of our operations and relationships with investors, all of which could adversely affect our

business and results of operations. ~~Additionally, there~~ **There** is ~~a~~ growing regulatory interest across jurisdictions in improving transparency regarding the definition, measurement **,** and disclosure of ESG factors ~~in order~~ to ~~allow~~ **enable** investors to validate and better understand sustainability claims, **including** ~~and~~ **an increased regulatory focus on the accuracy of those claims. As a result,** we are subject to ~~changing~~ **evolving** rules and regulations promulgated by **various** ~~a number of~~ governmental and self- regulatory organizations, including the SEC, the NYSE **,** and the Financial Accounting Standards Board. These rules ~~and regulations~~ continue to ~~evolve~~ **expand** in scope and complexity ~~and many~~ **, with** new requirements **potentially increasing** ~~have been created in response to laws enacted by Congress, making~~ compliance **challenges** ~~more difficult~~ and ~~uncertain~~ **uncertainty** . ~~Further~~ **If we are perceived as** , ~~new and emerging regulatory initiatives in the U. S. related to climate change and ESG could adversely affect our~~ **or accused** business. ~~On March 6, 2024, the SEC issued a final rule regarding the enhancement and standardization~~ of ~~mandatory climate~~ **," greenwashing" or overstating the extent of our sustainability** - related ~~disclosures~~ **practices, such allegations could damage our reputation, result in litigation** ~~for~~ **or** ~~investors~~ **regulatory actions, and negatively impact our ability to raise capital** . **At the same time, so** ~~The final rule mandates extensive disclosure of climate~~ **called " anti- ESG " sentiment has also gained momentum across the U. S., with several states having enacted or proposed " anti- ESG " policies, legislation, or issued** related ~~data~~ **legal opinions. For example** , ~~risks, and opportunities, including financial impacts, physical and transition risks, related governance and strategy and greenhouse gas emissions, for~~ certain **states now require that relevant state entities or managers / administrators of state investments** ~~public companies. Compliance with the final rule may result in increased legal, accounting and financial compliance costs,~~ make **investments based solely** ~~some activities more difficult, time- consuming and costly, and place strain~~ on **pecuniary factors without consideration** ~~our Manager' s personnel, systems and resources. In addition, in 2021 the SEC established an enforcement task force to look into ESG practices and disclosures by public companies and investment managers and has started to bring enforcement actions based on ESG disclosures not matching actual investment processes. Growing interest on the part~~ of ~~investors and regulators in~~ ESG factors ~~and increased demand for~~ **or have enacted" boycott bills." If investors subject to such legislation viewed us** , **our policies** ~~and scrutiny of~~ , **or our practices, as being in contradiction of such " anti-** ESG **" policies** ~~- related disclosures~~ , ~~have also increased the risk that companies~~ **legislation or legal opinions, such investors may not invest in us, which** could **negatively affect** ~~be perceived as, or~~ **our financial performance** ~~accused of, making inaccurate or misleading statements regarding their ESG efforts or initiatives, or greenwashing. Such perception or accusation could damage our reputation, result in litigation or regulatory actions and adversely impact our ability to raise capital. Relatedly, certain investors have also begun to use ESG data, third- party benchmarks and ESG ratings to allow them to monitor the ESG impact of their investments. These changing rules, regulations and stakeholder expectations have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting such regulations and expectations~~ . If we fail or are perceived to fail to comply with **or meet** applicable rules, regulations and stakeholder expectations, it could negatively impact our reputation and our business results. Further, our business could become subject to additional regulations, penalties and / or risks of regulatory scrutiny and enforcement in the future. ~~We cannot guarantee~~ **Moreover, the requirements of various regulations we may become subject to may not be consistent with each other. There can be no assurance** that our current ESG practices will meet future regulatory requirements, reporting frameworks or best practices, increasing the risk of related enforcement. Compliance with new requirements may lead to increased management burdens and costs. ~~Generally, we expect investor demands and the prevailing legal environment to require us to devote additional resources to ESG matters in our review of prospective investments and management of existing investments, which could increase our expenses.~~ We are largely dependent on external sources of capital in order to grow. **Any** ~~In order to maintain our qualification as a REIT, we generally will have to distribute to our shareholders 90 % of our REIT taxable income. As with other mortgage REITs, the vast majority of our income is expected to constitute REIT taxable income, and therefore we expect to have to distribute, and not retain, the vast majority of our income. As a result, any~~ material growth in our equity capital base ~~must~~ **is** largely ~~be~~ funded by external sources of capital. Our access to external capital will depend upon a number of factors, including the market price of our common shares, the market' s perception of our financial condition and potential future earnings, and general market conditions. Periods of heightened inflation could adversely impact our financial results. **High inflation** ~~Due to various economic and monetary policy factors~~ , ~~including~~ **whether caused by** low unemployment, high corporate demand, supply- chain issues, geopolitical conflicts, ~~and~~ quantitative easing, ~~inflation has been elevated in recent periods. High inflation~~ **imposition of tariffs by the federal government, or a combination of these or other factors,** may undermine the performance of our investments by reducing the value of such investments and / or the income received from such investments. **Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, significant effects on interest rates and negative effects on economies and financial markets. See also" — Increases in interest rates could negatively affect the value of our assets and increase the risk of default on our assets. "** In addition, actions that the Federal Reserve ~~has~~ **and other central banks have** taken, and could continue to take ~~,~~ **in response** to ~~combat~~ **changes in** inflation **,** could have an adverse impact on **the economy broadly and / or on** our financial results **specifically** . See" — Risks Related To Our ~~Business~~ **Investments and Investment Activities** — Certain actions by the Federal Reserve could materially adversely affect our business, financial condition and results of operations, and our ability to pay dividends to our shareholders." **The use of AI by us and others, and the overall adoption of AI throughout society, may exacerbate or create new and unpredictable competitive, operational, legal and regulatory risks to our business. There is substantial uncertainty about the extent to which AI will result in dramatic changes throughout the world, and we may not be able to anticipate, prevent, mitigate or remediate all of the potential risks, challenges or impacts of such changes. These changes could potentially disrupt, among other things, our business model, investment strategies and operational processes. Some of our competitors may be more successful than us in the development and implementation of new technologies, including services and platforms based on AI, to improve**

their operations. If we are unable to adequately advance our capabilities in these areas, or do so at a slower pace than others in our industry, we may be at a competitive disadvantage. If the data we, or third parties whose services we rely on, use in connection with the possible development or deployment of AI is incomplete, inadequate or biased in some way, the performance of our business could suffer. In addition, recent technological advances in AI both present opportunities and pose risks to us. Data in technology that uses AI may contain a degree of inaccuracy and error, which could result in flawed algorithms in various models used in our business. The volume and reliance on data and algorithms also make AI more susceptible to cybersecurity threats, including data poisoning and the compromise of underlying models, training data or other intellectual property. The personnel provided to us by our Manager, and / or our third- party service providers could, without being known to us, improperly utilize AI and machine learning- technology while carrying out their responsibilities. This could reduce the effectiveness of AI technologies and adversely impact us and our operations to the extent that we rely on the AI' s work product. There is also a risk that AI may be misused or misappropriated by our third party service providers. For example, a user may input confidential information, including material non- public information or personally identifiable information, into AI applications, resulting in the information becoming a part of a dataset that is accessible by third- party technology applications and users, including our competitors. Further, we may not be able to control how third- party AI that we choose to use is developed or maintained, or how data we input is used or disclosed. The misuse or misappropriation of our data could have an adverse impact on our reputation and could subject us to legal and regulatory investigations or actions or create competitive risk. In addition, the use of AI by us or others may require compliance with legal or regulatory frameworks that are not fully developed or tested, and we may face litigation and regulatory actions related to our use of AI. There has been increased scrutiny, including from global regulators, regarding the use of " big data, " diligence of data sets and oversight of data vendors. Our ability to use data to gain insights into and manage our business may be limited in the future by regulatory scrutiny and legal developments.