ITT EDUCATIONAL SERVICES INC
Form SC 13G
February 05, 2009

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Schedule 13G

Under the Securities Exchange Act of 1934
(New)

ITT EDUCATIONAL SERVICES INC
(Name of Issuer)

Common Stock
(Title of Class of Securities)

45068B109
(CUSIP Number)

December 31, 2008
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[X] Rule 13d-1(b)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 45068B109

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(1) Names of Reporting Persons.
I.R.S. Identification Nos. of above persons (entities only).

BARCLAYS GLOBAL INVESTORS, NA., 943112180

---

(2) Check the appropriate box if a member of a Group*
(a) / /
(b) /X/

---

(3) SEC Use Only

---

(4) Citizenship or Place of Organization
U.S.A.

Number of Shares Beneficially Owned by Each Reporting Person With	
	(5) Sole Voting Power 1092959
	(6) Shared Voting Power -
	(7) Sole Dispositive Power 1,302,288
	(8) Shared Dispositive Power -

(9) Aggregate Amount Beneficially Owned by Each Reporting Person
1,302,288

(10) Check Box if the Aggregate Amount in Row (9) Excludes Certain Shares*

(11) Percent of Class Represented by Amount in Row (9)
3.37%

(12) Type of Reporting Person*
BK

CUSIP No. 45068B109

(1) Names of Reporting Persons.
I.R.S. Identification Nos. of above persons (entities only).

BARCLAYS GLOBAL FUND ADVISORS

(2) Check the appropriate box if a member of a Group*
(a) / /
(b) /X/

(3) SEC Use Only

(4) Citizenship or Place of Organization
U.S.A.

Number of Shares Beneficially Owned by Each Reporting Person With	
	(5) Sole Voting Power 444376
	(6) Shared Voting Power -
	(7) Sole Dispositive Power 621,316
	(8) Shared Dispositive Power -

(9) Aggregate Amount Beneficially Owned by Each Reporting Person
621,316

(10) Check Box if the Aggregate Amount in Row (9) Excludes Certain Shares*

(11) Percent of Class Represented by Amount in Row (9)
1.61%

(12) Type of Reporting Person*
IA

CUSIP No. 45068B109

(1) Names of Reporting Persons.
I.R.S. Identification Nos. of above persons (entities only).

BARCLAYS GLOBAL INVESTORS, LTD

(2) Check the appropriate box if a member of a Group*
(a) / /
(b) /X/

(3) SEC Use Only

(4) Citizenship or Place of Organization
England

Number of Shares Beneficially Owned by Each Reporting Person With	(5) Sole Voting Power 17,017
	(6) Shared Voting Power -
	(7) Sole Dispositive Power 46,800
	(8) Shared Dispositive Power -

(9) Aggregate
46,800

(10) Check Box if the Aggregate Amount in Row (9) Excludes Certain Shares*

(11) Percent of Class Represented by Amount in Row (9)
0.12%

(12) Type of Reporting Person*
FI

CUSIP No. 45068B109

(1) Names of Reporting Persons.
I.R.S. Identification Nos. of above persons (entities only).

BARCLAYS GLOBAL INVESTORS JAPAN LIMITED

---

(2) Check the appropriate box if a member of a Group*
(a) / /
(b) /X/

---

(3) SEC Use Only

---

(4) Citizenship or Place of Organization
Japan

Number of Shares Beneficially Owned by Each Reporting Person With	
	(5) Sole Voting Power 30949
	(6) Shared Voting Power -
	(7) Sole Dispositive Power 30,949
	(8) Shared Dispositive Power -

---

(9) Aggregate
30,949

---

(10) Check Box if the Aggregate Amount in Row (9) Excludes Certain Shares*

---

(11) Percent of Class Represented by Amount in Row (9)
0.08%

---

(12) Type of Reporting Person*
FI

CUSIP No. 45068B109

---

(1) Names of Reporting Persons.
I.R.S. Identification Nos. of above persons (entities only).

BARCLAYS GLOBAL INVESTORS CANADA LIMITED

---

(2) Check the appropriate box if a member of a Group*
(a) / /
(b) /X/

---

(3) SEC Use Only

---

(4) Citizenship or Place of Organization
Canada

Number of Shares Beneficially Owned by Each Reporting Person With	(5) Sole Voting Power 17504
	(6) Shared Voting Power -
	(7) Sole Dispositive Power 17,504
	(8) Shared Dispositive Power -

(9) Aggregate
17,504

(10) Check Box if the Aggregate Amount in Row (9) Excludes Certain Shares*

(11) Percent of Class Represented by Amount in Row (9)
0.05%

(12) Type of Reporting Person*
FI

CUSIP No. 45068B109

(1) Names of Reporting Persons.
I.R.S. Identification Nos. of above persons (entities only).

BARCLAYS GLOBAL INVESTORS AUSTRALIA LIMITED

(2) Check the appropriate box if a member of a Group*
(a) / /
(b) /X/

(3) SEC Use Only

(4) Citizenship or Place of Organization
Australia

Number of Shares Beneficially Owned by Each Reporting Person With	(5) Sole Voting Power 672
	(6) Shared Voting Power -
	(7) Sole Dispositive Power 672
	(8) Shared Dispositive Power -

(9) Aggregate
672

(10) Check Box if the Aggregate Amount in Row (9) Excludes Certain Shares*

---

(11) Percent of Class Represented by Amount in Row (9)
0.00%

---

(12) Type of Reporting Person*
FI

CUSIP No. 45068B109

---

(1) Names of Reporting Persons.
I.R.S. Identification Nos. of above persons (entities only).

BARCLAYS GLOBAL INVESTORS (DEUTSCHLAND) AG

---

(2) Check the appropriate box if a member of a Group*
(a) / /
(b) /X/

---

(3) SEC Use Only

---

(4) Citizenship or Place of Organization
Germany

Number of Shares Beneficially Owned by Each Reporting Person With	(5) Sole Voting Power
	(6) Shared Voting Power -
	(7) Sole Dispositive Power -
	(8) Shared Dispositive Power -

---

(9) Aggregate
-

---

(10) Check Box if the Aggregate Amount in Row (9) Excludes Certain Shares*

---

(11) Percent of Class Represented by Amount in Row (9)
0.00%

---

(12) Type of Reporting Person*
FI

ITEM 1(A). NAME OF ISSUER
ITT EDUCATIONAL SERVICES INC

ITEM 1(B). ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES
13000 North Meridian Street
Carmel, IN 46032-1404

```
--------------------------------------------------------------------------------
ITEM 2(A).      NAME OF PERSON(S) FILING

                        BARCLAYS GLOBAL INVESTORS, NA
--------------------------------------------------------------------------------
ITEM 2(B).      ADDRESS OF PRINCIPAL BUSINESS OFFICE OR, IF NONE, RESIDENCE
                        400 Howard Street
                                San Francisco, CA  94105
--------------------------------------------------------------------------------
ITEM 2(C).      CITIZENSHIP
                        U.S.A
--------------------------------------------------------------------------------
ITEM 2(D).      TITLE OF CLASS OF SECURITIES
                        Common Stock
--------------------------------------------------------------------------------
ITEM 2(E).      CUSIP NUMBER
                        45068B109
--------------------------------------------------------------------------------
ITEM 3.         IF THIS STATEMENT IS FILED PURSUANT TO RULES 13D-1(B),
OR 13D-2(B), CHECK WHETHER THE PERSON FILING IS A
(a) //  Broker or Dealer registered under Section 15 of the Act
        (15 U.S.C. 78o).
(b) /X/ Bank as defined in section 3(a) (6) of the Act (15 U.S.C. 78c).
(c) //  Insurance Company as defined in section 3(a) (19) of the Act
        (15 U.S.C. 78c).
(d) //  Investment Company registered under section 8 of the Investment
        Company Act of 1940 (15 U.S.C. 80a-8).
(e) //  Investment Adviser in accordance with section 240.13d(b)(1)(ii)(E).
(f) //  Employee Benefit Plan or endowment fund in accordance with section
        240.13d-1(b)(1)(ii)(F).
(g) //  Parent Holding Company or control person in accordance with section
        240.13d-1(b)(1)(ii)(G).
(h) //  A savings association as defined in section 3(b) of the Federal Deposit
        Insurance Act (12 U.S.C. 1813).
(i) //  A church plan that is excluded from the definition of an investment
        company under section 3(c)(14) of the Investment Company Act of 1940
        (15U.S.C. 80a-3).
(j) //  Non-U.S. institution, in accordance with section 240.13d-1(b)(1)(ii)(J)
(k) //    Group, in accordance with section 240.13d-1(b)(1)(ii)(K)



ITEM 1(A).      NAME OF ISSUER
        ITT EDUCATIONAL SERVICES INC
--------------------------------------------------------------------------------
ITEM 1(B).      ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES
                13000 North Meridian Street
                Carmel, IN 46032-1404
--------------------------------------------------------------------------------
ITEM 2(A).      NAME OF PERSON(S) FILING

                BARCLAYS GLOBAL FUND ADVISORS
--------------------------------------------------------------------------------
ITEM 2(B).      ADDRESS OF PRINCIPAL BUSINESS OFFICE OR, IF NONE, RESIDENCE
                         400 Howard Street
                                 San Francisco, CA   94105
--------------------------------------------------------------------------------
ITEM 2(C).      CITIZENSHIP
                        U.S.A
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ITEM 2(D).      TITLE OF CLASS OF SECURITIES
                        Common Stock
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        (15U.S.C. 80a-3).
(j) //  Non-U.S. institution, in accordance with section 240.13d-1(b)(1)(ii)(J)
(k) //    Group, in accordance with section 240.13d-1(b)(1)(ii)(K)

ITEM 1(A).      NAME OF ISSUER
                ITT EDUCATIONAL SERVICES INC
--------------------------------------------------------------------------------
ITEM 1(B).      ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES
                13000 North Meridian Street
                Carmel, IN 46032-1404
--------------------------------------------------------------------------------
ITEM 2(A).      NAME OF PERSON(S) FILING

                        BARCLAYS GLOBAL INVESTORS, LTD
--------------------------------------------------------------------------------
ITEM 2(B).      ADDRESS OF PRINCIPAL BUSINESS OFFICE OR, IF NONE, RESIDENCE
                         Murray House
                                1 Royal Mint Court
                                 LONDON, EC3N 4HH
--------------------------------------------------------------------------------
ITEM 2(C).      CITIZENSHIP
                        England
--------------------------------------------------------------------------------
ITEM 2(D).      TITLE OF CLASS OF SECURITIES
                        Common Stock
--------------------------------------------------------------------------------
ITEM 2(E).      CUSIP NUMBER
                        45068B109
--------------------------------------------------------------------------------
ITEM 3.         IF THIS STATEMENT IS FILED PURSUANT TO RULES 13D-1(B),
OR 13D-2(B), CHECK WHETHER THE PERSON FILING IS A
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        (15 U.S.C. 78o).
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(e) //  Investment Adviser in accordance with section 240.13d(b)(1)(ii)(E).
(f) //  Employee Benefit Plan or endowment fund in accordance with section
```

240.13d-1(b)(1)(ii)(F).
(g) // Parent Holding Company or control person in accordance with section 240.13d-1(b)(1)(ii)(G).
(h) // A savings association as defined in section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813).
(i) // A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15U.S.C. 80a-3).
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(k) // Group, in accordance with section 240.13d-1(b)(1)(ii)(K)

ITEM 1(A). NAME OF ISSUER
ITT EDUCATIONAL SERVICES INC

ITEM 1(B). ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES
13000 North Meridian Street
Carmel, IN 46032-1404

ITEM 2(A). NAME OF PERSON(S) FILING

BARCLAYS GLOBAL INVESTORS JAPAN LIMITED

ITEM 2(B). ADDRESS OF PRINCIPAL BUSINESS OFFICE OR, IF NONE, RESIDENCE
Ebisu Prime Square Tower 8th Floor
1-1-39 Hiroo Shibuya-Ku
Tokyo 150-8402 Japan

ITEM 2(C). CITIZENSHIP
Japan

ITEM 2(D). TITLE OF CLASS OF SECURITIES
Common Stock

ITEM 2(E). CUSIP NUMBER
45068B109

ITEM 3. IF THIS STATEMENT IS FILED PURSUANT TO RULES 13D-1(B), OR 13D-2(B), CHECK WHETHER THE PERSON FILING IS A
(a) // Broker or Dealer registered under Section 15 of the Act (15 U.S.C. 78o).
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(k) // Group, in accordance with section 240.13d-1(b)(1)(ii)(K)

ITEM 1(A). NAME OF ISSUER
ITT EDUCATIONAL SERVICES INC

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--------------------------------------------------------------------------------
ITEM 1(B).      ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES
                13000 North Meridian Street
                Carmel, IN 46032-1404
--------------------------------------------------------------------------------
ITEM 2(A).      NAME OF PERSON(S) FILING

                BARCLAYS GLOBAL INVESTORS CANADA LIMITED
--------------------------------------------------------------------------------
ITEM 2(B).      ADDRESS OF PRINCIPAL BUSINESS OFFICE OR, IF NONE, RESIDENCE
                        Brookfield Place 161 Bay Street
       Suite 2500, PO Box 614
                                Toronto, Canada
                        Ontario M5J 2S1
--------------------------------------------------------------------------------
ITEM 2(C).      CITIZENSHIP
                        Canada
--------------------------------------------------------------------------------
ITEM 2(D).      TITLE OF CLASS OF SECURITIES
                        Common Stock
--------------------------------------------------------------------------------
ITEM 2(E).      CUSIP NUMBER
                        45068B109
--------------------------------------------------------------------------------
ITEM 3.         IF THIS STATEMENT IS FILED PURSUANT TO RULES 13D-1(B),
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(a) //  Broker or Dealer registered under Section 15 of the Act
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ITEM 1(A).      NAME OF ISSUER
                ITT EDUCATIONAL SERVICES INC
--------------------------------------------------------------------------------
ITEM 1(B).      ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES
                13000 North Meridian Street
                Carmel, IN 46032-1404
--------------------------------------------------------------------------------
ITEM 2(A).      NAME OF PERSON(S) FILING

                BARCLAYS GLOBAL INVESTORS AUSTRALIA LIMITED
--------------------------------------------------------------------------------
ITEM 2(B).      ADDRESS OF PRINCIPAL BUSINESS OFFICE OR, IF NONE, RESIDENCE
                        Level 43, Grosvenor Place, 225 George Street
                        PO Box N43
                                Sydney, Australia NSW 1220
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--------------------------------------------------------------------------------
ITEM 2(C).      CITIZENSHIP
                        Australia
--------------------------------------------------------------------------------
ITEM 2(D).      TITLE OF CLASS OF SECURITIES
                        Common Stock
--------------------------------------------------------------------------------
ITEM 2(E).      CUSIP NUMBER
                        45068B109
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ITEM 3.         IF THIS STATEMENT IS FILED PURSUANT TO RULES 13D-1(B),
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(k) //    Group, in accordance with section 240.13d-1(b)(1)(ii)(K)


ITEM 1(A).      NAME OF ISSUER
                ITT EDUCATIONAL SERVICES INC
--------------------------------------------------------------------------------
ITEM 1(B).      ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES
                13000 North Meridian Street
                Carmel, IN 46032-1404
--------------------------------------------------------------------------------
ITEM 2(A).      NAME OF PERSON(S) FILING

        BARCLAYS GLOBAL INVESTORS (DEUTSCHLAND) AG
--------------------------------------------------------------------------------
ITEM 2(B).      ADDRESS OF PRINCIPAL BUSINESS OFFICE OR, IF NONE, RESIDENCE
                        Apianstrasse 6
                                D-85774
                        Unterfohring, Germany
--------------------------------------------------------------------------------
ITEM 2(C).      CITIZENSHIP
                        Germany
--------------------------------------------------------------------------------
ITEM 2(D).      TITLE OF CLASS OF SECURITIES
                        Common Stock
--------------------------------------------------------------------------------
ITEM 2(E).      CUSIP NUMBER
                        45068B109
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(j) /X/ Non-U.S. institution, in accordance with section 240.13d-1(b)(1)(ii)(J)
(k) // Group, in accordance with section 240.13d-1(b)(1)(ii)(K)

ITEM 4. OWNERSHIP

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount Beneficially Owned:
2019529

(b) Percent of Class:
5.22%

(c) Number of shares as to which such person has:
(i) sole power to vote or to direct the vote
1603477

(ii) shared power to vote or to direct the vote
-

(iii) sole power to dispose or to direct the disposition of
2019529

(iv) shared power to dispose or to direct the disposition of
-

ITEM 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS
If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following. //

ITEM 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON
The shares reported are held by the company in trust accounts for the economic benefit of the beneficiaries of those accounts. See also Items 2(a) above.

ITEM 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY
Not applicable

ITEM 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP

ITEM 9. NOTICE OF DISSOLUTION OF GROUP

Not applicable

ITEM 10. CERTIFICATION

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

By signing below, I further certify that, to the best of my knowledge and belief, the foreign regulatory scheme applicable to each of: Barclays Global Investors Australia Limited, Barclays Global Investors Canada Limited, Barclays Global Investors (Deutschland) AG, Barclays Global Investors Japan Limited and Barclays Global Investors Limited, is substantially comparable to the regulatory scheme applicable to the functionally equivalent U.S. institutions. I also undertake to furnish to the Commission staff, upon request, information that would otherwise be disclosed in a Schedule 13D by such entities.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

February 6, 2009

Date

Signature

John McGahan
Principal

Name/Title

t;font-size:8pt;font-style:italic;">(continued)

(In thousands)
Financial derivatives–assets, at fair value-

Credit default swaps on asset-backed securities

$
—

$
—

$
6,332

$
6,332

Credit default swaps on corporate bond indices

—

137,643

—

137,643

Credit default swaps on corporate bonds

—

10

—

10

Credit default swaps on asset-backed indices

—

5,410

—

5,410

Interest rate swaps

—

9,943

—

9,943

Total return swaps

—

—

85

85

Options

112

2,050

—

2,162

Futures

32

—

—

32

Forwards

—

1,138

—

1,138

Warrants

—

—

150

150

Total financial derivatives–assets, at fair value

144

156,194

6,567

162,905

Repurchase agreements

—

105,700

—

105,700

Total investments and financial derivatives–assets, at fair value and repurchase agreements

$
144

$
1,436,038

$
493,541

$
1,929,723

Liabilities:

Investments sold short, at fair value-

Agency residential mortgage-backed securities

$
—

$
(612,777
)

$

—

$
(612,777
)
Government debt

—

(114,051
)

—

(114,051
)
Corporate debt

—

—

(448
)

(448
)
Common stock

(1,471
)

—

—

(1,471
)
Total investments sold short, at fair value

(1,471
)

(726,828

)

(448
)

(728,747
)
Financial derivatives–liabilities, at fair value-

Credit default swaps on corporate bond indices

—

(47,298
)

—

(47,298
)
Credit default swaps on corporate bonds

—

(683
)

—

(683
)
Credit default swaps on asset-backed indices

—

(365
)

—

(365
)
Credit default swaps on asset-backed securities

—

—

(221
)

(221
)
Interest rate swaps

—

(4,934
)

—

(4,934
)
Total return swaps

—

—

(4,662
)

(4,662
)
Options

—

(1,760
)

—

(1,760
)
Futures

(528
)

—

—

(528
)
Forwards

—

(13
)

—

(13
)
Mortgage loan purchase commitments

—

(8
)

—

(8
)
Total financial derivatives–liabilities, at fair value

(528
)

(55,061
)

(4,883
)

(60,472
)
Guarantees[1]

—

—

(828
)

(828
)
Total investments sold short, financial derivatives–liabilities, and guarantees, at fair value

$
(1,999
)

$
(781,889
)

$
(6,159
)

$
(790,047
)
(1) Included in Other liabilities on the Consolidated Statement of Assets, Liabilities, and Equity.

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The following table identifies the significant unobservable inputs that affect the valuation of the Company's Level 3 assets and liabilities as of December 31, 2015:

Description	Fair Value	Valuation Technique	Unobservable Input	Range Min	Max	Weighted Average
	(In thousands)					
Private label residential mortgage-backed securities	$ 89,549	Market Quotes	Non Binding Third-Party Valuation	$ 1.81	$ 151.86	$ 68.47
Collateralized loan obligations	41,978	Market Quotes	Non Binding Third-Party Valuation	13.00	102.00	84.84
Corporate debt and non-exchange traded corporate equity	18,972	Market Quotes	Non Binding Third-Party Valuation	3.00	200.00	77.85
Private label commercial mortgage-backed securities	20,365	Market Quotes	Non Binding Third-Party Valuation	6.07	73.20	41.28
Agency interest only residential mortgage-backed securities	21,067	Market Quotes	Non Binding Third-Party Valuation	2.97	22.41	11.08
Total return swaps	(4,577)	Market Quotes	Non Binding Third-Party Valuation (1)	36.38	99.88	56.38
Private label residential mortgage-backed securities	26,886	Discounted Cash Flows	Yield	3.4 %	27.1 %	19.9 %
			Projected Collateral Prepayments	5.4 %	74.6 %	46.3 %
			Projected Collateral Losses	2.9 %	24.5 %	11.4 %
			Projected Collateral Recoveries	0.3 %	13.0 %	8.0 %
			Projected Collateral Scheduled Amortization	8.6 %	88.6 %	34.3 %
						100.0 %
Private label commercial mortgage-backed securities	13,780	Discounted Cash Flows	Yield	19.2 %	25.0 %	22.1 %
			Projected Collateral Losses	0.7 %	2.3 %	1.6 %
			Projected Collateral Recoveries	1.5 %	14.3 %	8.4 %
			Projected Collateral Scheduled Amortization	83.4 %	97.6 %	90.0 %
						100.0 %
Corporate debt and warrants	13,920	Discounted Cash Flows	Yield	15.0 %	20.0 %	16.2 %
Collateralized loan obligations	3,996	Discounted Cash Flows	Yield	8.3 %	20.6 %	13.5 %
			Projected Collateral Prepayments	31.9 %	52.3 %	41.1 %
			Projected Collateral Losses	2.6 %	17.3 %	12.9 %

			Projected Collateral Recoveries	2.3	%	15.5	%	10.1	%
			Projected Collateral Scheduled Amortization	33.3	%	51.5	%	35.9	%
								100.0	%
Consumer loans and asset-backed securities backed by consumer loans(2)	115,376	Discounted Cash Flows	Yield	9.0	%	15.0	%	10.4	%
			Projected Collateral Prepayments	0.0	%	40.9	%	30.9	%
			Projected Collateral Losses	1.0	%	33.8	%	7.3	%
			Projected Collateral Scheduled Amortization	57.3	%	80.8	%	61.8	%
								100.0	%
Performing commercial mortgage loans	43,847	Discounted Cash Flows	Yield	9.8	%	17.6	%	11.9	%

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(continued) Description	Fair Value	Valuation Technique	Unobservable Input	Range Min	Range Max	Weighted Average
	(In thousands)					
Non-performing commercial mortgage loans and commercial real estate owned	$ 30,984	Discounted Cash Flows	Yield	10.2 %	19.4 %	13.7 %
			Months to Resolution	4.0	24.0	9.3
Performing residential mortgage loans	13,848	Discounted Cash Flows	Yield	5.5 %	8.0 %	6.5 %
Non-performing residential mortgage loans and residential real estate owned	12,331	Discounted Cash Flows	Yield	5.7 %	7.9 %	7.3 %
			Months to Resolution	3.4	113.6	20.6
Credit default swaps on asset-backed securities	6,111	Net Discounted Cash Flows	Projected Collateral Prepayments	26.6 %	44.1 %	32.6 %
			Projected Collateral Losses	15.0 %	33.7 %	26.5 %
			Projected Collateral Recoveries	6.8 %	16.9 %	12.0 %
			Projected Collateral Scheduled Amortization	24.5 %	33.1 %	28.9 %
						100.0 %
Non-exchange traded preferred equity investment in commercial mortgage-related private partnership	10,558	Discounted Cash Flows	Yield	14.0 %	16.5 %	14.7 %
			Expected Holding Period (Months)	14.3	27.0	23.5
Agency interest only residential mortgage-backed securities	3,851	Option Adjusted Spread ("OAS")	LIBOR OAS(2)	441	1,672	622
			Projected Collateral Prepayments	18.0 %	100.0 %	70.4 %
			Projected Collateral Scheduled Amortization	0.0 %	82.0 %	29.6 %
						100.0 %
Non-exchange traded preferred and common equity investment in mortgage-related entities	2,738	Enterprise Value	Equity Multiple(3)	2.7x	2.7x	2.7x
Non-exchange traded preferred and common equity investment in mortgage-related entities	2,630	Recent Transactions	Transaction Price	N/A	N/A	N/A
Guarantees	(828)	Cash Flows	Expected Cash Flows(4)	N/A	N/A	N/A

(1) Represents valuations on underlying assets.
(2) Shown in basis points.
(3) Represent an estimation of where market participants might value an enterprise.
(4) Represents transactions with a remaining term of less than one year.

Third-party non-binding valuations are validated by comparing such valuations to internally generated prices based on the Company's models and to recent trading activity in the same or similar instruments.

For those instruments valued using discounted and net discounted cash flows, collateral prepayments, losses, recoveries, and scheduled amortization are projected over the remaining life of the collateral and expressed as a percentage of the collateral's current principal balance. Averages are weighted based on the fair value of the related instrument. In the case of credit default swaps on asset-backed securities, averages are weighted based on each instrument's bond equivalent value. Bond equivalent value represents the investment amount of a corresponding position in the reference obligation, calculated as the difference between the outstanding principal balance of the underlying reference obligation and the fair value, inclusive of accrued interest, of the derivative contract. For those assets valued using the LIBOR Option Adjusted Spread valuation methodology, cash flows are projected using the Company's models over multiple interest rate scenarios, and these projected cash flows are then discounted using the LIBOR rates implied by each interest rate scenario. The LIBOR OAS of an asset is then computed as the unique constant yield spread that, when added to all LIBOR rates in each interest rate scenario generated by the model, will equate (a) the expected present value of the projected asset cash flows over all model scenarios to (b) the actual current market price of the asset. LIBOR OAS is therefore model-dependent. Generally speaking, LIBOR OAS measures the additional yield spread over LIBOR that an asset provides at its current market price after taking into account any interest rate options embedded in the asset.

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Material changes in any of the inputs above in isolation could result in a significant change to reported fair value measurements. Additionally, fair value measurements are impacted by the interrelationships of these inputs. For example, a higher expectation of collateral prepayments will generally be accompanied by a lower expectation of collateral losses. Conversely, higher losses will generally be accompanied by lower prepayments. Because the Company's credit default swaps on asset-backed security holdings represent credit default swap contracts whereby the Company has purchased credit protection, such default swaps on asset-backed securities generally have the directionally opposite sensitivity to prepayments, losses, and recoveries as compared to the Company's long securities holdings. Prepayments do not represent a significant input for the Company's commercial mortgage-backed securities and commercial mortgage loans. Losses and recoveries do not represent a significant input for the Company's Agency RMBS interest only securities, given the guarantee of the issuing government agency or government-sponsored enterprise.

The tables below include a roll-forward of the Company's financial instruments for the years ended December 31, 2016, 2015, and 2014 (including the change in fair value), for financial instruments classified by the Company within Level 3 of the valuation hierarchy.

Level 3—Fair Value Measurement Using Significant Unobservable Inputs:

Year Ended December 31, 2016

(In thousands)	Ending Balance as of December 31, 2015	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/ Payments	Sales/ Issuances	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance as of December 31, 2016
Assets:									
Investments, at fair value-									
Agency residential mortgage-backed securities	$24,918	$(7,998)	$(536)	$845	$12,665	$(272)	$—	$—	$29,622
Private label residential mortgage-backed securities	116,435	1,896	(2,748)	3,972	30,065	(55,407)	10,041	(14,171)	90,083
Private label commercial mortgage-backed securities	34,145	1,627	1,008	(6,081)	24,488	(11,919)	—	—	43,268
Commercial mortgage loans	66,399	2,463	1,920	(1,434)	39,684	(47,903)	—	—	61,129
Residential mortgage loans	22,089	467	774	(800)	102,224	(40,464)	—	—	84,290
Collateralized loan obligations	45,974	(3,829)	71	2,471	27,862	(27,593)	—	—	44,956
Consumer loans and asset-backed securities backed by consumer loans	115,376	(10,668)	(164)	(7,818)	174,664	(156,918)	—	—	114,472
Corporate debt	27,028	(60)	(8,326)	6,864	26,851	(27,353)	—	—	25,004
Real estate owned	12,522	—	2,256	(458)	17,526	(28,497)	—	—	3,349
Private corporate equity investments	22,088	—	(144)	1,032	24,117	(25,016)	—	—	22,077

Total investments, at fair value	486,974	(16,102)	(5,889)	(1,407)	480,146	(421,342)	10,041	(14,171)	518,250
Financial derivatives–assets, at fair value-									
Credit default swaps on asset-backed securities	6,332	—	1,042	(667)	148	(1,529)	—	—	5,326
Total return swaps	85	—	3,070	70	57	(3,127)	—	—	155
Warrants	150	—	(50)	6	7,486	(7,486)	—	—	106
Total financial derivatives– assets, at fair value	6,567	—	4,062	(591)	7,691	(12,142)	—	—	5,587
Total investments and financial derivatives–assets, at fair value	$493,541	$(16,102)	$(1,827)	$(1,998)	$487,837	$(433,484)	$10,041	$(14,171)	$523,837
Liabilities:									
Investments sold short, at fair value									
Corporate debt	$(448)	$(1)	$362	$(228)	$315	$—	$—	$—	$—
Total investments sold short, at fair value	(448)	(1)	362	(228)	315	—	—	—	—

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(In thousands)	Ending Balance as of December 31, 2015	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/ Payments	Sales/ Issuances	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance as of December 31, 2016
(continued)									
Financial derivatives–liabilities, at fair value-									
Credit default swaps on asset-backed securities	$ (221)	$ —	$ (323)	$ (36)	$ 324	$ —	$ —	$ —	$ (256)
Total return swaps	(4,662)	—	(7,534)	4,413	8,214	(680)	—	—	(249)
Total financial derivatives–liabilities, at fair value	(4,883)	—	(7,857)	4,377	8,538	(680)	—	—	(505)
Guarantees:									
Guarantees	(828)	—	—	828	—	—	—	—	—
Total guarantees	(828)	—	—	828	—	—	—	—	—
Total investments sold short, financial derivatives– liabilities, and guarantees, at fair value	$ (6,159)	$ (1)	$ (7,495)	$ 4,977	$ 8,853	$ (680)	$ —	$ —	$ (505)

All amounts of net realized and change in net unrealized gain (loss) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gain (loss) for both Level 3 financial instruments held by the Company at December 31, 2016, as well as Level 3 financial instruments disposed of by the Company during the year ended December 31, 2016. For Level 3 financial instruments held by the Company at December 31, 2016, change in net unrealized gain (loss) of $(14.7) million, $(0.8) million, and $(0.2) million for the year ended December 31, 2016 relate to investments, financial derivatives–assets, and financial derivatives–liabilities, respectively.

During the year ended December 31, 2016, the Company transferred $14.2 million of non-Agency RMBS from Level 3 to Level 2. These assets were transferred from Level 3 to Level 2 based on an increased volume of observed trading of these and/or similar assets. This increase in observed trading activity has led to greater price transparency for these assets, thereby making a Level 2 designation appropriate in the Company's view. However, changes in the volume of observable inputs for these assets, such as a decrease in the volume of observed trading, could impact price transparency, and thereby cause a change in the level designation for these assets in future periods.

In addition, during the year ended December 31, 2016, the Company transferred $10.0 million of non-Agency RMBS from Level 2 to Level 3. Since December 31, 2015, these securities have exhibited indications of a reduced level of price transparency. Examples of such indications include wider spreads relative to similar securities and a reduction in observable transactions involving these and similar securities. Changes in these indications could impact price transparency, and thereby cause a change in the level designation in future periods.

There were no transfers of financial instruments between Level 1 and Level 2 during the year ended December 31, 2016.

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Year Ended December 31, 2015

(In thousands)	Ending Balance as of December 31, 2014	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/ Payments	Sales/ Issuances	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance as of December 31, 2015
Assets:									
Investments, at fair value-									
Agency residential mortgage-backed securities	$31,385	$(8,355)	$223	$81	$6,977	$(5,393)	$—	$—	$24,918
Private label residential mortgage-backed securities	274,369	8,593	20,648	(16,429)	62,994	(191,902)	6,687	(48,525)	116,435
Private label commercial mortgage-backed securities	53,311	3,076	2,000	(4,183)	21,382	(41,441)	—	—	34,145
Commercial mortgage loans	28,309	1,895	1,114	(142)	69,778	(34,555)	—	—	66,399
Residential mortgage loans	27,482	1,363	2,372	(505)	19,555	(28,178)	—	—	22,089
Collateralized loan obligations	121,994	(21,110)	46	(4,033)	59,102	(110,025)	—	—	45,974
Consumer loans and asset-backed securities backed by consumer loans	24,294	(6,197)	—	283	139,373	(42,377)	—	—	115,376
Corporate debt	42,708	60	(4,028)	(6,882)	28,942	(33,772)	—	—	27,028
Real estate owned	8,635	—	1,168	381	14,155	(11,817)	—	—	12,522
Private corporate equity investments	14,512	—	116	(306)	8,347	(581)	—	—	22,088
Total investments, at fair value	626,999	(20,675)	23,659	(31,735)	430,605	(500,041)	6,687	(48,525)	486,974
Financial derivatives–assets, at fair value-									
Credit default swaps on asset-backed securities	$11,387	$—	$(2,964)	$2,098	$28	$(4,217)	$—	$—	$6,332
Total return swaps	—	—	113	85	—	(113)	—	—	85
Warrants	100	—	—	—	50	—	—	—	150

Total financial derivatives– assets, at fair value	11,487	—	(2,851)	2,183	78	(4,330)	—	—	6,567
Total investments and financial derivatives–assets, at fair value	$638,486	$(20,675)	$20,808	$(29,552)	$430,683	$(504,371)	$6,687	$(48,525)	$493,541
Liabilities:									
Investments sold short, at fair value									
Corporate debt	$—	$(2)	$197	$228	$1,372	$(2,243)	$—	$—	$(448)
Total investments sold short, at fair value	—	(2)	197	228	1,372	(2,243)	—	—	(448)
Financial derivatives– liabilities, at fair value-									
Credit default swaps on asset-backed securities	$(239)	$—	$(102)	$35	$—	$85	$—	$—	$(221)
Total return swaps	—	—	2,516	(4,662)	14	(2,530)	—	—	(4,662)
Total financial derivatives– liabilities, at fair value	(239)	—	2,414	(4,627)	14	(2,445)	—	—	(4,883)
Securitized debt:									
Securitized debt	(774)	(15)	—	26	763	—	—	—	—
Total securitized debt	(774)	(15)	—	26	763	—	—	—	—
Guarantees:									
Guarantees	—	—	—	(828)	—	—	—	—	(828)
Total guarantees	—	—	—	(828)	—	—	—	—	(828)
Total financial derivatives– liabilities and securitized debt, at fair value	$(1,013)	$(17)	$2,611	$(5,201)	$2,149	$(4,688)	$—	$—	$(6,159)

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All amounts of net realized and change in net unrealized gain (loss) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gain (loss) for both Level 3 financial instruments held by the Company at December 31, 2015, as well as Level 3 financial instruments disposed of by the Company during the year ended December 31, 2015. For Level 3 financial instruments held by the Company at December 31, 2015, change in net unrealized gain (loss) of $(20.7) million, $7 thousand, $(4.6) million, and $(0.8) million, for the year ended December 31, 2015 relate to investments, financial derivatives–assets, financial derivatives–liabilities, and guarantees, respectively.

During the year ended December 31, 2015, the Company transferred $48.5 million of non-Agency RMBS from Level 3 to Level 2. These assets were transferred from Level 3 to Level 2 based on an increased volume of observed trading of these and/or similar assets. This increase in observed trading activity has led to greater price transparency for these assets, thereby making a Level 2 designation appropriate in the Company's view. However, changes in the volume of observable inputs for these assets, such as a decrease in the volume of observed trading, could impact price transparency, and thereby cause a change in the level designation for these assets in future periods.

In addition, during the year ended December 31, 2015, the Company transferred $6.7 million of non-Agency RMBS from Level 2 to Level 3. Following December 2014, these securities have exhibited indications of a reduced level of price transparency. Examples of such indications include wider spreads relative to similar securities and a reduction in observable transactions involving these and similar securities. Changes in these indications could impact price transparency, and thereby cause a change in the level designation in future periods.

There were no transfers of financial instruments between Level 1 and Level 2 during the year ended December 31, 2015.

Year Ended December 31, 2014

(In thousands)	Ending Balance as of December 31, 2013	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/ Payments	Sales/ Issuances	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance as of December 31, 2014
Assets:									
Investments, at fair value-									
Agency residential mortgage-backed securities	$40,504	$(8,738)	$1,404	$(2,078)	$8,448	$(8,155)	$ —	$—	$31,385
Private label residential mortgage-backed securities	580,772	20,544	38,600	(18,406)	382,956	(445,349)	—	(284,748)	274,369
Private label commercial mortgage-backed securities	32,994	1,328	7,055	(357)	116,128	(103,837)	—	—	53,311
Commercial mortgage loans	23,887	2,739	3,156	(632)	41,856	(42,697)	—	—	28,309
Residential mortgage loans	24,062	1,267	1,424	84	14,863	(14,218)	—	—	27,482
Collateralized loan obligations	38,069	(2,577)	342	(1,879)	118,607	(30,568)	—	—	121,994
Consumer loans and asset-backed securities backed by	—	(1,184)	—	(530)	29,402	(3,394)	—	—	24,294

consumer loans									
Corporate debt	—	(70)	—	(877)	43,808	(153)	—	—	42,708
Real estate owned	—	—	172	(113)	11,247	(2,671)	—	—	8,635
Private corporate equity investments	—	—	—	(205)	14,717	—	—	—	14,512
Total investments, at fair value	740,288	13,309	52,153	(24,993)	782,032	(651,042)	—	(284,748)	626,999
Financial derivatives–assets, at fair value-									
Credit default swaps on asset-backed securities	$16,646	$—	$(4,596)	$4,547	$464	$(5,674)	$—	$—	$11,387
Warrants	—	—	—	—	100	—	—	—	100
Total financial derivatives– assets, at fair value	16,646	—	(4,596)	4,547	564	(5,674)	—	—	11,487
Total investments and financial derivatives–assets, at fair value	$756,934	$13,309	$47,557	$(20,446)	$782,596	$(656,716)	$—	$(284,748)	$638,486

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(In thousands)	Ending Balance as of December 31, 2013	Accreted Discounts / (Amortized Premiums)	Net Realized Gain/ (Loss)	Change in Net Unrealized Gain/(Loss)	Purchases/ Payments	Sales/ Issuances	Transfers Into Level 3	Transfers Out of Level 3	Ending Balance as of December 31, 2014
(continued)									
Liabilities:									
Financial derivatives– liabilities, at fair value-									
Credit default swaps on asset-backed securities	$ (350)	$ —	$ (78)	$ 111	$ —	$ 78	$ —	$ —	$ (239)
Total financial derivatives– liabilities, at fair value	(350)	—	(78)	111	—	78	—	—	(239)
Securitized debt:									
Securitized debt	(983)	(15)	—	(22)	246	—	—	—	(774)
Total securitized debt	(983)	(15)	—	(22)	246	—	—	—	(774)
Total financial derivatives– liabilities and securitized debt, at fair value	$ (1,333)	$ (15)	$ (78)	$ 89	$ 246	$ 78	$ —	$ —	$ (1,013)

All amounts of net realized and change in net unrealized gain (loss) in the table above are reflected in the accompanying Consolidated Statement of Operations. The table above incorporates changes in net unrealized gain (loss) for both Level 3 financial instruments held by the Company at December 31, 2014, as well as Level 3 financial instruments disposed of by the Company during the year ended December 31, 2014. For Level 3 financial instruments held by the Company at December 31, 2014, change in net unrealized gain (loss) of $6.3 million, $(1.6) million, $(0.1) million, and $(22) thousand for the year ended December 31, 2014 relate to investments, financial derivatives–assets, financial derivatives–liabilities, and securitized debt, respectively.

For the year ended December 31, 2014, the Company transferred $284.7 million of non-Agency RMBS from Level 3 to Level 2. The decision to transfer these assets from Level 3 to Level 2 was based on observed market developments, including an increased volume of buying and selling of these and/or similar assets, greater consensus among market participants on price based on market quotes, and generally tighter credit spreads driven by improved performance in the underlying collateral as well as increased demand from investors seeking higher yielding assets. These factors have led to greater price transparency for these assets, thereby making a Level 2 designation appropriate in the Company's view. However, changes in observed market developments could impact future price transparency, and thereby cause a change in the level designation in subsequent periods.

There were no transfers of financial instruments between Level 1 and Level 2 during the year ended December 31, 2014.

4. To Be Announced RMBS

In addition to investing in pools of Agency RMBS, the Company transacts in the forward settling TBA market. Pursuant to these TBA transactions, the Company agrees to purchase or sell, for future delivery, Agency RMBS with certain principal and interest terms and certain types of underlying collateral, but the particular Agency RMBS to be delivered is not identified until shortly before the TBA settlement date. TBAs are liquid and have quoted market prices and represent the most actively traded class of MBS. The Company accounts for its TBAs as purchase and sales and uses TBAs primarily for hedging purposes, typically in the form of short positions. However, the Company may also invest in TBAs for speculative purposes, including holding long positions. Overall, the Company typically holds a net short position.

The Company does not generally take delivery of TBAs; rather, it settles the associated receivable and payable with its trading counterparties on a net basis. Transactions with the same counterparty for the same TBA that result in a reduction of the position are treated as extinguished. The fair value of the Company's positions in long TBA contracts are reflected on the Consolidated Condensed Schedule of Investments under TBA–Fixed Rate Agency Securities and the fair value of the Company's positions in TBA contracts sold short are reflected on the Consolidated Condensed

Schedule of Investments under TBA–Fixed Rate Agency Securities Sold Short. The payables and receivables related to the Company's TBA securities are included on the Consolidated Statement of Assets, Liabilities, and Equity in Payable for securities purchased and Receivable for securities sold, respectively.

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The below table details TBA assets, liabilities, and the respective related payables and receivables as of December 31, 2016 and 2015:

	As of December 31, 2016	December 31, 2015
	(In thousands)	
Assets:		
TBA securities, at fair value (Current principal: $67,720 and $94,602, respectively)	$70,525	$98,009
Receivable for securities sold relating to unsettled TBA sales	406,708	613,023
Liabilities:		
TBA securities sold short, at fair value (Current principal: -$384,155 and -$580,992, respectively)	$(404,728)	$(612,777)
Payable for securities purchased relating to unsettled TBA purchases	(70,347)	(98,049)
Net short TBA securities, at fair value	(334,203)	(514,768)

5. Financial Derivatives

Gains and losses on the Company's derivative contracts for the years ended December 31, 2016, 2015, and 2014 are summarized in the tables below:

Year Ended December 31, 2016:

Derivative Type	Primary Risk Exposure	Year Ended December 31, 2016 Net Realized Gain/(Loss)(1)	Change in Net Unrealized Gain/(Loss)(2)
(In thousands)			
Credit default swaps on asset-backed securities	Credit	$719	$ (703)
Credit default swaps on asset-backed indices	Credit	3,935	(3,349)
Credit default swaps on corporate bond indices	Credit	(36,195)	(4,044)
Credit default swaps on corporate bonds	Credit	(14)	712
Total return swaps	Equity Market/Credit	(12,987)	4,427
Interest rate swaps	Interest Rates	(2,912)	(1,983)
Futures	Interest Rates/Equity Market	(84)	456
Forwards	Currency	4,093	(1,580)
Warrants	Equity Market	(50)	6
Mortgage loan purchase commitments	Interest Rates	—	(23)
Options	Credit/ Interest Rates/Equity Market	7,174	(413)
Total		$(36,321)	$ (6,494)

(1) Includes gain/(loss) on foreign currency transactions on derivatives in the amount of $0.3 million, which is included on the Consolidated Statement of Operations in Realized gain (loss) on foreign currency transactions.

(2) Includes foreign currency translation on derivatives in the amount of $1.1 million, which is included on the Consolidated Statement of Operations in Change in net unrealized gain (loss) on foreign currency translation.

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Year Ended December 31, 2015[1]:

Derivative Type	Primary Risk Exposure	Year Ended December 31, 2015 Net Realized Gain/(Loss)[2]	Change in Net Unrealized Gain/(Loss)[3]
(In thousands)			
Credit default swaps on asset-backed securities	Credit	$(3,066)	$ 2,133
Credit default swaps on asset-backed indices	Credit	(714)	(285)
Credit default swaps on corporate bond indices	Credit	(8,059)	7,503
Credit default swaps on corporate bonds	Credit	(1,005)	694
Total return swaps	Equity Market/Credit	1,838	(4,564)
Interest rate swaps[4]	Interest Rates	(9,603)	1,983
Futures	Interest Rates/Equity Market	708	(676)
Forwards	Currency	4,738	377
Mortgage loan purchase commitments	Interest Rates	—	(8)
Options	Credit/ Interest Rates/Equity Market	5,048	1,623
Total		$(10,115)	$ 8,780

(1) Conformed to current period presentation.

(2) Includes foreign currency translation on derivatives in the amount of $0.2 million, which is included on the Consolidated Statement of Operations in Realized gain (loss) on foreign currency transactions.

(3) Includes foreign currency translation on derivatives in the amount of $(1.1) million, which is included on the Consolidated Statement of Operations in Change in net unrealized gain (loss) on foreign currency translation.

(4) Includes a $1.5 million reimbursement from a third party.

Year Ended December 31, 2014[1]:

Derivative Type	Primary Risk Exposure	Year Ended December 31, 2014 Net Realized Gain/(Loss)	Change in Net Unrealized Gain/(Loss)
(In thousands)			
Credit default swaps on asset-backed securities	Credit	$(4,674)	$ 4,658
Credit default swaps on asset-backed indices	Credit	(1,551)	316
Credit default swaps on corporate bond indices	Credit	(4,304)	4,337
Credit default swaps on corporate bonds	Credit	270	(782)
Total return swaps	Equity Market	7,304	49
Interest rate swaps	Interest Rates	(13,329)	(19,217)
Futures	Interest Rates/Equity Market	4,589	2,552
Forwards	Currency	1,630	786
Options	Credit/ Interest Rates/Equity Market	(1,146)	(971)
Total		$(11,211)	$ (8,272)

(1) Conformed to current period presentation.

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The tables below detail the average notional values of the Company's financial derivatives, using absolute value of month end notional values, for the years ended December 31, 2016 and 2015:

Derivative Type	Year Ended December 31, 2016	Year Ended December 31, 2015
	(In thousands)	
Interest rate swaps	$1,731,368	$2,463,892
Credit default swaps	1,586,923	1,080,772
Total return swaps	113,628	112,641
Futures	371,900	880,682
Options	357,260	865,600
Forwards	80,513	107,448
Warrants	1,640	1,554
Mortgage loan purchase commitments	6,143	2,093

From time to time the Company enters into credit derivative contracts for which the Company sells credit protection ("written credit derivatives"). As of December 31, 2016 and 2015, all of the Company's open written credit derivatives were credit default swaps on either mortgage/asset-backed indices (ABX and CMBX indices) or corporate bond indices (CDX), collectively referred to as credit indices, or on individual corporate bonds, for which the Company receives periodic payments at fixed rates from credit protection buyers, and is obligated to make payments to the credit protection buyer upon the occurrence of a "credit event" with respect to underlying reference assets.

Written credit derivatives held by the Company at December 31, 2016 and 2015, are summarized below:

Credit Derivatives	December 31, 2016	December 31, 2015
(In thousands)		
Fair Value of Written Credit Derivatives, Net	$(1,551)	$135,443
Fair Value of Purchased Credit Derivatives Offsetting Written Credit Derivatives with Third Parties (1)	$4,552	$(369)
Notional Value of Written Credit Derivatives (2)	$117,476	$(799,750)
Notional Value of Purchased Credit Derivatives Offsetting Written Credit Derivatives with Third Parties (1)	$68,357	$17,322

(1) Offsetting transactions with third parties include purchased credit derivatives which have the same reference obligation.

(2) The notional value is the maximum amount that a seller of credit protection would be obligated to pay, and a buyer of credit protection would receive upon occurrence of a "credit event." Movements in the value of credit default swap transactions may require the Company or the counterparty to post or receive collateral. Amounts due or owed under credit derivative contracts with an International Swaps and Derivatives Association, or "ISDA," counterparty may be offset against amounts due or owed on other credit derivative contracts with the same ISDA counterparty. As a result, the notional value of written credit derivatives involving a particular underlying reference asset or index has been reduced (but not below zero) by the notional value of any contracts where the Company has purchased credit protection on the same reference asset or index with the same ISDA counterparty.

A credit default swap on a credit index or a corporate bond typically terminates at the stated maturity date in the case of corporate indices or bonds, or, in the case of ABX and CMBX indices, the date that all of the reference assets underlying the index are paid off in full, retired, or otherwise cease to exist. Implied credit spreads may be used to determine the market value of such contracts and are reflective of the cost of buying/selling credit protection. Higher spreads would indicate a greater likelihood that a seller will be obligated to perform (i.e., make payment) under the contract. In situations where the credit quality of the underlying reference assets has deteriorated, the percentage of notional values that would be paid up front to enter into a new such contract ("points up front") is frequently used as an indication of credit risk. Credit protection sellers entering the market in such situations would expect to be paid points up front corresponding to the approximate fair value of the contract. For the Company's written credit derivatives that were outstanding at December 31, 2016, implied credit spreads on such contracts ranged between 68.5 and 14,344.6 basis points. For the Company's written credit derivatives that were outstanding at December 31, 2015, implied credit spreads on such contracts ranged between 19.5 and 4,628.7 basis points. Total net up-front payments (paid) or received relating to written credit derivatives outstanding at December 31, 2016 and 2015 were $(3.3) million and $137.8 million, respectively.

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6. Borrowings under Reverse Repurchase Agreements and Securitized Debt

Reverse Repurchase Agreements

The Company enters into reverse repurchase agreements. A reverse repurchase agreement involves the sale of an asset to a counterparty together with a simultaneous agreement to repurchase the transferred asset or similar asset from such counterparty at a future date. The Company accounts for its reverse repurchase agreements as collateralized borrowings, with the transferred assets effectively serving as collateral for the related borrowing. The Company's reverse repurchase agreements typically range in term from 30 to 180 days, although the Company also has reverse repurchase agreements that provide for longer or shorter terms. The principal economic terms of each reverse repurchase agreement—such as loan amount, interest rate, and maturity date—are typically negotiated on a transaction-by-transaction basis. Other terms and conditions, such as those relating to events of default, are typically governed under the Company's master repurchase agreements. Absent an event of default, the Company maintains beneficial ownership of the transferred securities during the term of the reverse repurchase agreement and receives the related principal and interest payments. Interest rates on these borrowings are generally fixed based on prevailing rates corresponding to the terms of the borrowings, and for most reverse repurchase agreements, interest is generally paid at the termination of the reverse repurchase agreement, at which time the Company may enter into a new reverse repurchase agreement at prevailing market rates with the same counterparty, repay that counterparty and possibly negotiate financing terms with a different counterparty, or choose to no longer finance the related asset. Some reverse repurchase agreements provide for periodic payments of interest, such as monthly payments. In response to a decline in the fair value of the transferred securities, whether as a result of changes in market conditions, security paydowns, or other factors, reverse repurchase agreement counterparties will typically make a margin call, whereby the Company will be required to post additional securities and/or cash as collateral with the counterparty in order to re-establish the agreed-upon collateralization requirements. In the event of increases in fair value of the transferred securities, the Company can generally require the counterparty to post collateral with it in the form of cash or securities. The Company is generally permitted to sell or re-pledge any securities posted by the counterparty as collateral; however, upon termination of the reverse repurchase agreement, or other circumstance in which the counterparty is no longer required to post such margin, the Company must return to the counterparty the same security that had been posted. The contractual amount (loan amount) of the Company's reverse repurchase agreements approximates their fair value, as the debt is short-term in nature.

At any given time, the Company seeks to have its outstanding borrowings under reverse repurchase agreements with several different counterparties in order to reduce the exposure to any single counterparty. The Company had outstanding borrowings under reverse repurchase agreements with twenty-one counterparties as of December 31, 2016 and eighteen counterparties as of December 31, 2015.

At December 31, 2016, there was no counterparty that held 15% or more of the Company's outstanding reverse repurchase agreements. At December 31, 2015, approximately 15% of open reverse repurchase agreements were with one counterparty. As of December 31, 2016 remaining days to maturity on the Company's open reverse repurchase agreements ranged from 3 days to 320 days and from 4 days to 666 days as of December 31, 2015. Interest rates on the Company's open reverse repurchase agreements ranged from 0.60% to 3.76% as of December 31, 2016 and from 0.37% to 2.92% as of December 31, 2015.

The following table details the Company's outstanding borrowings under reverse repurchase agreements for Agency RMBS and Credit assets, which include non-Agency MBS, CLOs, consumer loans, corporate debt, residential mortgage loans, and U.S. Treasury securities, by remaining maturity as of December 31, 2016 and 2015:

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(In thousands)	December 31, 2016			December 31, 2015		
		Weighted Average			Weighted Average	
Remaining Maturity	Outstanding Borrowings	Interest Rate	Remaining Days to Maturity	Outstanding Borrowings	Interest Rate	Remaining Days to Maturity
Agency RMBS:						
30 Days or Less	$405,725	0.83%	18	$295,277	0.54%	14
31-60 Days	195,288	0.94%	45	203,144	0.54%	44
61-90 Days	149,965	0.97%	74	239,431	0.68%	74
91-120 Days	8,240	0.83%	102	193,962	0.56%	106
121-150 Days	11,798	0.96%	131	—	— %	—
151-180 Days	19,296	1.05%	164	1,506	1.57%	175
Total Agency RMBS	790,312	0.89%	41	933,320	0.58%	56
Credit:						
30 Days or Less	94,849	2.55%	16	14,674	1.94%	17
31-60 Days	26,974	2.36%	47	26,419	1.87%	39
61-90 Days	41,522	2.43%	77	82,292	2.46%	67
91-120 Days	10,084	2.91%	97	—	— %	—
121-150 Days	1,239	2.73%	124	—	— %	—
151-180 Days	12,616	3.17%	165	24,193	2.62%	164
181-360 Days	50,557	3.46%	316	23,877	2.80%	346
>360 Days	—	— %	—	69,414	2.51%	666
Total Credit Assets	237,841	2.75%	105	240,869	2.47%	272
U.S. Treasury Securities:						
30 Days or Less	5,428	0.91%	4	—	— %	—
Total U.S. Treasury Securities	5,428	0.91%	4	—	— %	—
Total	$1,033,581	1.32%	56	$1,174,189	0.97%	100

Reverse repurchase agreements involving underlying investments that the Company sold prior to year end, for settlement following year end, are shown using their original maturity dates even though such reverse repurchase agreements may be expected to be terminated early upon settlement of the sale of the underlying investment. Not included above are reverse repurchase agreements that the Company may have entered into prior to year end for which delivery of the borrowed funds is not scheduled until after year end in the amount of $4.4 million as of December 31, 2015.

As of December 31, 2016 and December 31, 2015, the fair value of investments transferred as collateral under outstanding borrowings under reverse repurchase agreements was $1.15 billion and $1.35 billion, respectively. Collateral transferred under outstanding borrowings as of December 31, 2016 include investments in the amount of $33.4 million that were sold prior to year end but for which such sale had not yet settled. In addition the Company posted net cash collateral of $39.2 million and additional securities with a fair value of $2.7 million as of December 31, 2016 to its counterparties. Collateral transferred under outstanding borrowings as of December 31, 2015 include investments in the amount of $16.8 million that were sold prior to year end but for which such sale had not yet settled. In addition, the Company posted net cash collateral of $25.5 million and additional securities with a fair value of $5.1 million as of December 31, 2015 as a result of margin calls from various counterparties.

As of December 31, 2016 and 2015 there were no counterparties for which the amounts at risk relating to our repurchase agreements was greater than 10% of total equity.

Securitized Debt

In addition to its borrowings under reverse repurchase agreements, the Company has entered into securitization transactions to finance certain of its commercial mortgage loans and REO which are accounted for as collateralized borrowings. As of December 31, 2016, the Company had outstanding borrowings in the amount of $24.1 million in connection with one such securitization which is reflected under the caption Securitized debt, on the Company's Consolidated Statement of Assets, Liabilities, and Equity. As of December 31, 2016, the fair value of commercial mortgage loans and REO collateralizing this financing was $42.0 million. Interest accrues at a rate of LIBOR plus 3.25% and the debt has a maturity date of September

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30, 2018. The Company did not have any outstanding borrowings classified as Securitized debt as of December 31, 2015. See Note 7, Related Party Transactions, for further information on the Company's securitized debt.

7. Related Party Transactions

The Company is party to a Management Agreement (which may be amended from time to time), pursuant to which the Manager manages the assets, operations, and affairs of the Company, in consideration of which the Company pays the Manager management and incentive fees. Effective November 3, 2015, the Board of Directors approved a Sixth Amended and Restated Management Agreement, between the Company and the Manager. The descriptions of the Base Management Fees and Incentive Fees are detailed below.

Base Management Fees

The Operating Partnership pays the Manager 1.50% per annum of total equity of the Operating Partnership calculated in accordance with U.S. GAAP as of the end of each fiscal quarter (before deductions for base management fees and incentive fees payable with respect to such fiscal quarter), provided that total equity is adjusted to exclude one-time events pursuant to changes in U.S. GAAP, as well as non-cash charges after discussion between the Manager and the Company's independent directors, and approval by a majority of the Company's independent directors in the case of non-cash charges.

Summary information— For the years ended December 31, 2016, 2015, and 2014, the total base management fee incurred was $10.1 million, $11.5 million, and $10.8 million, respectively.

Incentive Fees

The Manager is entitled to receive a quarterly incentive fee equal to the positive excess, if any, of (i) the product of (A) 25% and (B) the excess of (1) Adjusted Net Income (described below) for the Incentive Calculation Period (which means such fiscal quarter and the immediately preceding three fiscal quarters) over (2) the sum of the Hurdle Amounts (described below) for the Incentive Calculation Period, over (ii) the sum of the incentive fees already paid or payable for each fiscal quarter in the Incentive Calculation Period preceding such fiscal quarter.

For purposes of calculating the incentive fee, "Adjusted Net Income" for the Incentive Calculation Period means the net increase in equity from operations of the Operating Partnership, after all base management fees but before any incentive fees for such period, and excluding any non-cash equity compensation expenses for such period, as reduced by any Loss Carryforward (as described below) as of the end of the fiscal quarter preceding the Incentive Calculation Period.

For purposes of calculating the incentive fee, the "Loss Carryforward" as of the end of any fiscal quarter is calculated by determining the excess, if any, of (1) the Loss Carryforward as of the end of the immediately preceding fiscal quarter over (2) the Company's net increase in equity from operations (expressed as a positive number) or net decrease in equity from operations (expressed as a negative number) of the Operating Partnership for such fiscal quarter. As of December 31, 2016 there was a Loss Carryforward of $15.7 million.

For purposes of calculating the incentive fee, the "Hurdle Amount" means, with respect to any fiscal quarter, the product of (i) one-fourth of the greater of (A) 9% and (B) 3% plus the 10-year U.S. Treasury rate for such fiscal quarter, (ii) the sum of (A) the weighted average gross proceeds per share of all common share and OP Unit issuances since inception of the Company and up to the end of such fiscal quarter, with each issuance weighted by both the number of shares and OP Units issued in such issuance and the number of days that such issued shares and OP Units were outstanding during such fiscal quarter, using a first-in first-out basis of accounting (i.e. attributing any share and OP Unit repurchases to the earliest issuances first) and (B) the result obtained by dividing (I) retained earnings attributable to common shares and OP Units at the beginning of such fiscal quarter by (II) the average number of common shares and OP Units outstanding for each day during such fiscal quarter, (iii) the sum of the average number of common shares, LTIP Units, and OP Units outstanding for each day during such fiscal quarter. For purposes of determining the Hurdle Amount, issuances of common shares and OP Units (a) as equity incentive awards, (b) to the Manager as part of its base management fee or incentive fee and (c) to the Manager or any of its affiliates in privately negotiated transactions, are excluded from the calculation. The payment of the incentive fee will be in a combination of common shares and cash, provided that at least 10% of any quarterly payment will be made in common shares.

Summary information—The Company did not incur any expense for incentive fees for either of the years ended December 31, 2016 and 2015, since on a rolling four quarter basis, the Company's income did not exceed the prescribed hurdle amount. Incentive fee expense incurred for the year ended December 31, 2014 was $1.4 million.

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Termination Fees

The Management Agreement requires the Company to pay a termination fee to the Manager in the event of (1) the Company's termination or non-renewal of the Management Agreement without cause or (2) the Company's termination of the Management Agreement based on unsatisfactory performance by the Manager that is materially detrimental to the Company (3) the Manager's termination of the Management Agreement upon a default by the Company in the performance of any material term of the Management Agreement. Such termination fee will be equal to the amount of three times the sum of (i) the average annual Quarterly Base Management Fee Amounts paid or payable with respect to the two 12-month periods ending on the last day of the latest fiscal quarter completed on or prior to the date of the notice of termination or non-renewal and (ii) the average annual Quarterly Incentive Fee Amounts paid or payable with respect to the two 12-month periods ending on the last day of the latest fiscal quarter completed on or prior to the date of the notice of termination or non-renewal.

Expense Reimbursement

Under the terms of the Management Agreement the Company is required to reimburse the Manager for operating expenses related to the Company that are incurred by the Manager, including expenses relating to legal, accounting, due diligence, other services, and all other costs and expenses. The Company's reimbursement obligation is not subject to any dollar limitation. Expenses will be reimbursed in cash within 60 days following delivery of the expense statement by the Manager; provided, however, that such reimbursement may be offset by the Manager against amounts due to the Company from the Manager. The Company will not reimburse the Manager for the salaries and other compensation of the Manager's personnel except that the Company will be responsible for expenses incurred by the Manager in employing certain dedicated or partially dedicated personnel as further described below.

The Company reimburses the Manager for the allocable share of the compensation, including, without limitation, wages, salaries, and employee benefits paid or reimbursed, as approved by the Compensation Committee of the Board of Directors to certain dedicated or partially dedicated personnel who spend all or a portion of their time managing the Company's affairs, based upon the percentage of time devoted by such personnel to the Company's affairs. In their capacities as officers or personnel of the Manager or its affiliates, such personnel will devote such portion of their time to the Company's affairs as is necessary to enable the Company to operate its business.

For the years ended December 31, 2016, 2015, and 2014, the Company reimbursed the Manager $6.5 million, $5.1 million, and $4.8 million, respectively, for previously incurred operating and compensation expenses.

Equity Investments in Certain Mortgage Originators

As of December 31, 2016, the mortgage originators in which the Company holds an equity investment represent related parties. Transactions that have been entered into with these related party mortgage originators are summarized below.

In March 2015, the Company entered into a flow mortgage loan purchase and sale agreement with a mortgage originator in which the Company holds an investment in preferred and common stock, whereby the Company has committed to purchase eligible residential mortgage loans. See Note 15, Commitments and Contingencies, for further information on such flow agreement. The Company has also provided a $5.0 million line of credit to the mortgage originator. Under the terms of this line of credit, the Company has agreed to make advances to the mortgage originator solely for the purpose of funding residential mortgage loans designated for sale to the Company. To the extent the advances are drawn by the mortgage originator, it must pay interest, equal to 10.00%, on the unpaid amount of each advance from the date the advance is made until such advance is paid in full. The mortgage originator is required to repay advances made in full no later than two business days following the date the Company purchases the loans from the mortgage originator. As of December 31, 2016, there were $2.2 million in advances outstanding.

In connection with another mortgage originator in which the Company holds an equity interest, the Company has entered into agreements whereby it guarantees the performance of such mortgage originator under a third-party warehouse facility and a third-party master repurchase agreement. The Company also has funded and caused a letter of credit to be issued by a bank for the benefit of this mortgage originator, in order to assist it in complying with its state licensing requirements. See Note 15, Commitments and Contingencies, for further information on the Company's guarantees of the third-party borrowing arrangements, as well as other obligations of the Company with respect to this mortgage originator.

Consumer and Residential Loan Transactions through Affiliates

The Company has investments in participation certificates related to consumer loans titled in the name of a related party of Ellington. Through its participation certificates, the Company has beneficial interests in the loan cash flows, net of servicing-related fees and expenses. The total fair value of the Company's beneficial interests in the net cash flows, was $7.6 million and

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$3.8 million as of December 31, 2016 and 2015, respectively, and is included on the Company's Consolidated Condensed Schedule of Investments in Consumer Loans and Asset-backed Securities backed by Consumer Loans.
The Company purchases certain of its consumer loans through an affiliate, or the "Purchasing Entity." The Purchasing Entity has entered into purchase agreements, open-ended in duration, with third party consumer loan originators whereby it has agreed to purchase eligible consumer loans. The amount of loans purchased under these purchase agreements is dependent on, among other factors, the amount of loans originated in any given period by the selling originators. The Company and other affiliates of Ellington have entered into agreements with the Purchasing Entity whereby the Company and each of the affiliates have agreed to purchase their allocated portion (subject to monthly determination based on available capital and other factors) of the eligible loans acquired by the Purchasing Entity under each purchase agreement. The Company and other affiliates acquire beneficial interests in the loans from the Purchasing Entity immediately upon purchase by the Purchasing Entity at the price paid by the Purchasing Entity. During the year ended December 31, 2016, the Company purchased loans under these agreements with an aggregate principal balance of $46.3 million. As of December 31, 2016, the estimated remaining contingent purchase obligations of the Company under these purchase agreements was approximately $260 million in principal balance.
The Company has investments in participation certificates related to consumer loans held in trusts owned by another related party of Ellington. Through its participation certificates, the Company participates in the cash flows of the underlying loans held by each trust. The total amount of consumer loans held in the related party trusts, for which the Company has participating interests in the net cash flows, was $43.2 million as of December 31, 2016, and is included on the Company's Consolidated Condensed Schedule of Investments in Consumer Loans and Asset-backed Securities backed by Consumer Loans.
The Company has investments in participation certificates related to residential mortgage loans and REO held in a trust owned by another related party of Ellington. Through its participation certificates, the Company participates in the cash flows of the underlying loans held by such trust. The total amount of residential mortgage loans and REO held in the related party trust, for which the Company has participating interests in the net cash flows, was $86.0 million as of December 31, 2016, and is included on the Company's Consolidated Condensed Schedule of Investments in Mortgage Loans as well as Real Estate Owned.
Participation in Multi-Borrower Financing Facility
The Company is a co-participant in an agreement with certain other entities managed by Ellington, or the "affiliated entities," in order to facilitate the financing of certain small balance commercial mortgage loans and REO owned by the Company and the affiliated entities, respectively (the "SBC Assets"). In connection with this financing, each of the Company and the affiliated entities transferred their respective SBC Assets to a jointly owned entity, which in turn transferred these assets to a securitization trust. As of December 31, 2016, the trust has outstanding issued debt to a large financial institution in the amount of $62.1 million which amortizes over a period ending in September 2018. While the Company's SBC Assets were transferred to the securitization trust, the Company's SBC Assets and the related debt have not been derecognized for financial reporting purposes, in accordance with ASC 860-10, because the Company continues to retain the risks and rewards of ownership of its SBC Assets. The Company's portion of the total debt outstanding as of December 31, 2016 was $24.1 million and is reflected under the caption Securitized debt on the Company's Consolidated Statement of Assets, Liabilities, and Equity. To the extent there is a default under the financing arrangement, such as the insolvency of either the Company or the affiliated entities, the assets of the non-defaulting party could be used to satisfy outstanding obligations under the financing arrangement. As of December 31, 2016, each of the affiliated entities was solvent.
Participation in Multi-Seller Consumer Loan Securitization
The Company participated in an August 2016 securitization transaction whereby the Company, together with another entity managed by Ellington (the "co-participant"), sold consumer loans with an aggregate unpaid principal balance of approximately $124 million to a newly formed special purpose entity ("the Issuer"). Of the $124 million in loans sold to the Issuer, the Company's share was 51% while the co-participant's share was 49%. The transfer was accounted for as a sale in accordance with ASC 860-10. Pursuant to the securitization, the Issuer issued senior and subordinated notes in the principal amount of $87 million and $18.7 million, respectively. Trust certificates representing beneficial ownership of the Issuer were also issued. In connection with the transaction, and through a jointly owned newly

formed entity (the "Acquiror"), the Company and the co-participant acquired all of the subordinated notes as well as the trust certificates in the Issuer. The Company and the co-participant acquired 51% and 49%, respectively, of the interest in the Acquiror. The Company's interest in the Acquiror is accounted for as a beneficial interest.

The notes and trust certificates issued by the Issuer are backed by the cash flows from the underlying consumer loans. The Company has no obligation to repurchase or replace securitized loans that subsequently become delinquent or are otherwise in default. However, if there are breaches of representations and warranties, the Company could, under certain circumstances be

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required to purchase or replace securitized loans. Cash flows collected on the underlying consumer loans are distributed to service providers, noteholders and trust certificate holders in accordance with the contractual priority of payments. Before the senior notes have been fully repaid, most of these cash inflows are applied first to service the loans, administer the Issuer, and repay the senior notes. After the senior notes have been fully repaid, most of these cash inflows are applied first to service the loans, administer the Issuer, and then to repay the subordinated notes. In any given period, and subject to the level of available cash flow, the trust certificates may receive payments. In addition, another affiliate of Ellington (the "Administrator"), acts as the administrator for the securitization and is paid a monthly fee for its services.

The Issuer is deemed to be a variable interest entity, or "VIE." A VIE is an entity having either total at-risk equity that is insufficient to finance its activities without additional subordinated financial support, or whose at-risk equity holders lack the ability to control the entity's activities. Variable interests are investments or other interests in a VIE that will absorb portions of such VIE's expected losses or receive portions of the VIE's expected residual returns. Expected residual returns represent the expected positive variability in the fair value of a VIE's net assets. Because the Company holds a variable interest in the Issuer, and as the Issuer is deemed to be a VIE, the Company is required to evaluate its interest in the Issuer under ASC 810, Consolidation. Under the VIE model, the party that is deemed to be the primary beneficiary is required to consolidate the VIE. The primary beneficiary is defined as the party that has the power to direct the entity's most significant economic activities and the ability to participate in the entity's economics. While the Company retains credit risk in the securitization because the Company's beneficial interests include the most subordinated interests in the securitized assets, which are the first to absorb credit losses on those assets, the Company does not retain the power to direct the activities of the Issuer that most significantly impact the Issuer's economic performance. As a result, the Company determined that neither the Company nor the Acquiror is the primary beneficiary of the Issuer, and therefore the Company has not consolidated the Issuer.

In December 2016, in order to facilitate the financing of the Company's share of the subordinated note held by the Acquiror, the Company entered into a repurchase agreement with the Acquiror (the "Acquiror Repurchase Agreement") whereby the Company's share of the subordinated note held by the Acquiror was transferred to the Company as collateral under the Acquiror Repurchase Agreement. The Company then re-hypothecated this collateral to a third-party lending institution pursuant to a reverse repurchase agreement (the "Reverse Agreement"). The Acquiror Repurchase Agreement is included on the Company's Consolidated Statement of Assets, Liabilities and Equity under the caption, Repurchase Agreements, at fair value and on its Consolidated Condensed Schedule of Investments. The Company's obligation under the Reverse Agreement is included on its Consolidated Statement of Assets, Liabilities and Equity under the caption, Reverse repurchase agreements. As of December 31, 2016 the outstanding amounts under the Acquiror Repurchase Agreement and the Reverse Agreement were each $6.2 million and the fair value of the related collateral was $9.5 million.

8. Long-Term Incentive Plan Units

Units held pursuant to the Individual LTIPs are generally exercisable by the holder at any time after vesting. Each unit is convertible into one common share. Costs associated with the Individual LTIPs are measured as of the grant date and expensed ratably over the vesting period. Total expense associated with Individual LTIPs for the years ended December 31, 2016, 2015, and 2014 was $0.4 million, $0.4 million, and $0.3 million, respectively.

The below table details on the Company's unvested LTIP Units as of December 31, 2016:

Grant Recipient	Number of LTIP Units Granted	Grant Date	Vesting Date[1]
Independent directors:			
	8,403	September 13, 2016	September 12, 2017
Partially dedicated employees:			
	8,090	December 13, 2016	December 13, 2017
	5,583	December 13, 2016	December 13, 2018
	5,949	December 15, 2015	December 15, 2017

	686	December 15, 2015	December 31, 2017
Total unvested LTIP Units at December 31, 2016	28,711		

(1) Date at which such LTIP Units will vest and become non-forfeitable.

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The following table summarizes issuance and exercise activity of the Company's LTIP Units for the years ended December 31, 2016, 2015, and 2014:

	Year Ended December 31, 2016			Year Ended December 31, 2015			Year Ended December 31, 2014		
	Manager	Director/ Employee	Total	Manager	Director/ Employee	Total	Manager	Director/ Employee	Total
LTIP Units Outstanding (12/31/2015, 12/31/14, and 12/31/2013, respectively)	375,000	74,938	449,938	375,000	54,314	429,314	375,000	36,052	411,052
Granted	—	22,076	22,076	—	22,571	22,571	—	20,084	20,084
Exercised	—	(2,475)	(2,475)	—	(1,947)	(1,947)	—	(1,822)	(1,822)
LTIP Units Outstanding (12/31/2016, 12/31/2015, and 12/31/2014, respectively)	375,000	94,539	469,539	375,000	74,938	449,938	375,000	54,314	429,314
LTIP Units Vested and Outstanding (12/31/2016, 12/31/2015, and 12/31/2014, respectively)	375,000	65,828	440,828	375,000	46,120	421,120	375,000	29,859	404,859

As of December 31, 2016, there were an aggregate of 1,307,397 common shares underlying awards, including LTIP Units, available for future issuance under the Company's 2007 Incentive Plan for Individuals and 2007 Incentive Plan for Entities.

9. Non-controlling Interests

Operating Partnership

Non-controlling interests include the interest in the Operating Partnership owned by an affiliate of the Manager and certain related parties. On January 1, 2013, 212,000 OP Units were purchased by the initial non-controlling interest member. Income allocated to the non-controlling interest is based on the non-controlling interest owners' ownership percentage of the Operating Partnership during the quarter, calculated using a daily weighted average of all common shares and convertible units outstanding during the quarter. Holders of OP Units are entitled to receive the same distributions that holders of common shares receive, and OP Units are convertible into common shares on a one-for-one basis, subject to specified limitations. OP Units are non-voting with respect to matters as to which common shareholders are entitled to vote. As of December 31, 2016, non-controlling interest related to the outstanding 212,000 OP Units represented an interest of approximately 0.6% in the Operating Partnership.

Joint Venture Interests

Non-controlling interests also include the interests of joint venture partners in various consolidated subsidiaries of the Company. These subsidiaries hold the Company's investments in certain commercial mortgage loans and REO. These joint venture partners participate in these subsidiaries on a pari passu basis with the Company at a predetermined percentage, and therefore participate in all income, expense, gains and losses of such subsidiaries. These joint venture partners make capital contributions to the subsidiaries as new approved investments are purchased by the subsidiaries, and are generally entitled to distributions when investments are sold or otherwise disposed of. As of December 31, 2016 and 2015 these joint venture partners' interests in subsidiaries of the Company were $3.0 million and $2.3 million, respectively.

These joint venture partners' interests are not convertible into common shares of the Company or OP Units, nor are these joint venture partners entitled to receive distributions that holders of common shares of the Company receive.

10. Common Share Capitalization

During the years ended December 31, 2016, 2015, and 2014, the Board of Directors authorized dividends totaling $1.95 per share, $2.45 per share, and $3.08 per share, respectively. Total dividends paid during the years ended December 31, 2016, 2015, and 2014 were $65.1 million, $83.5 million, and $86.4 million, respectively.

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The following table summarizes issuance, repurchase and other activity with respect to the Company's common shares for the years ended December 31, 2016, 2015, and 2014:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Common Shares Outstanding (12/31/2015, 12/31/2014, and 12/31/2013, respectively)	33,126,012	33,449,678	25,428,186
Share Activity:			
Shares issued	—	—	8,000,000
Shares repurchased	(833,784)	(325,613)	—
Shares issued in connection with incentive fee payment	—	—	19,670
Director LTIP Units exercised	2,475	1,947	1,822
Common Shares Outstanding (12/31/2016, 12/31/2015, and 12/31/2014, respectively)	32,294,703	33,126,012	33,449,678

If all LTIP and OP Units that have been previously issued were to become fully vested and exchanged for common shares as of December 31, 2016, 2015, and 2014, the Company's issued and outstanding common shares would increase to 32,976,242, 33,787,950, and 34,090,992 shares, respectively.

On August 3, 2015, the Company's Board of Directors approved the adoption of a share repurchase program under which the Company is authorized to repurchase up to 1.7 million common shares. The program, which is open-ended in duration, allows the Company to make repurchases from time to time on the open market or in negotiated transactions, including under Rule 10b5-1 plans. Repurchases are at the Company's discretion, subject to applicable law, share availability, price and its financial performance, among other considerations. This program supersedes the program that was previously adopted on August 4, 2011. During the year ended December 31, 2016, the Company repurchased 833,784 shares at an average price per share of $16.82 and a total cost of $14.0 million.

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11. Earnings Per Share

The components of the computation of basic and diluted EPS were as follows:

	Year Ended December 31,		
	2016	2015	2014
(In thousands except share amounts)			
Net increase (decrease) in shareholders' equity resulting from operations	$(16,007)	$38,089	$59,167
Add: Net (decrease) increase in equity resulting from operations attributable to the participating non-controlling interest[1]	(101)	239	472
Net increase (decrease) in equity resulting from operations related to common shares, LTIP unit holders, and participating non-controlling interest	(16,108)	38,328	59,639
Net increase (decrease) in shareholders' equity resulting from operations available to common share and LTIP unit holders:			
Net increase (decrease) in shareholders' equity resulting from operations– common shares	(15,789)	37,604	58,306
Net increase (decrease) in shareholders' equity resulting from operations– LTIP Units	(218)	485	861
Dividends Paid[2]:			
Common shareholders	(63,855)	(81,886)	(84,527)
LTIP unit holders	(880)	(1,054)	(1,269)
Non-controlling interest	(413)	(520)	(653)
Total dividends paid to common shareholders, LTIP unit holders, and non-controlling interest	(65,148)	(83,460)	(86,449)
Undistributed (Distributed in excess of) earnings:			
Common shareholders	(79,644)	(44,282)	(26,221)
LTIP unit holders	(1,098)	(569)	(408)
Non-controlling interest	(514)	(281)	(181)
Total undistributed (distributed in excess of) earnings attributable to common shareholders, LTIP unit holders, and non-controlling interest	$(81,256)	$(45,132)	$(26,810)
Weighted average shares outstanding (basic and diluted):			
Weighted average common shares outstanding	32,758,050	33,422,053	27,962,304
Weighted average participating LTIP Units	452,436	431,640	413,105
Weighted average non-controlling interest units	212,000	212,000	212,000
Basic earnings per common share:			
Distributed	$1.95	$2.45	$3.08
Undistributed (Distributed in excess of)	(2.43)	(1.32)	(0.99)
	$(0.48)	$1.13	$2.09
Diluted earnings per common share:			
Distributed	$1.95	$2.45	$3.08
Undistributed (Distributed in excess of)	(2.43)	(1.32)	(0.99)
	$(0.48)	$1.13	$2.09

(1) For the years ended December 31, 2016, 2015, and 2014, excludes net increase in equity resulting from operations of $0.4 million, $0.1 million and $0.3 million, respectively attributable to joint venture partners, which have non-participating interests as described in Note 9.

(2) The Company pays quarterly dividends in arrears, so a portion of the dividends paid in each calendar year relate to the prior year's earnings.

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12. Counterparty Risk

As of December 31, 2016, investments with an aggregate value of approximately $1.15 billion were held with dealers as collateral for various reverse repurchase agreements. The investments held as collateral include securities in the amount of $33.4 million that were sold prior to year end but for which such sale had not yet settled as of December 31, 2016. At December 31, 2016 no single counterparty held more than 15% of the total amount held with dealers as collateral for various reverse repurchase agreements. In addition to the below, unencumbered investments, on a settlement date basis, of approximately $119.6 million were held in custody at the Bank of New York Mellon Corporation.

The following table details the percentage of collateral amounts held by dealers who hold greater than 15% of the Company's Due from Brokers, included as of December 31, 2016:

Dealer	% of Total Due from Brokers
Morgan Stanley	18%

The following table details the percentage of amounts held by dealers who hold greater than 15% of the Company's Receivable for securities sold as of December 31, 2016:

Dealer	% of Total Receivable for Securities Sold
Bank of America Securities	25%
Barclays Capital Inc.	21%

In addition, the Company held cash and cash equivalents of $123.3 million and $183.9 million as of December 31, 2016 and 2015, respectively. The below table details the concentration of cash and cash equivalents held by each counterparty:

	As of	
Counterparty	December 31, 2016	December 31, 2015
BlackRock Liquidity Funds FedFund Portfolio	41%	—%
Bank of New York Mellon Corporation	27%	13%
Goldman Sachs Financial Square Funds - Government Fund	16%	—%
Morgan Stanley Institutional Liquidity Fund - Government Portfolio	16%	—%
BlackRock Liquidity Funds TempFund Portfolio	—%	54%
JPMorgan Prime Money Market Fund	—%	27%
JPMorgan U.S. Treasury Plus Money Market Fund	—%	6%

13. Restricted Cash

The Company is required to maintain certain cash balances with counterparties and/or unrelated third parties for various activities and transactions.

In connection with the line of credit provided by the Company to one of the mortgage originators in which it has invested, as described in Note 7, Related Party Transactions, the Company had placed cash into a restricted account in the Company's name, which was available to be drawn upon by the mortgage originator as needed to fund the origination of residential mortgage loans designated for sale to the Company. As of December 31, 2016 this account is no longer restricted.

In connection with the letter of credit with another mortgage originator, as described in Note 7, Related Party Transactions, funds have been deposited into an account for the benefit of the mortgage originator.

The Company is required to maintain a specific cash balance in a segregated account pursuant to a flow consumer loan purchase and sale agreement.

The Company is also required to maintain specific minimum cash balances in connection with certain regulated subsidiaries, including its subsidiary that holds various state mortgage origination licenses.

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The below table details the Company's restricted cash balances included in Restricted cash on the Consolidated Statement of Assets, Liabilities, and Equity as of December 31, 2016 and 2015.

	December 31, 2016	December 31, 2015
	(In thousands)	
Restricted cash balance related to:		
Minimum account balance required for regulatory purposes	$250	$ 500
Letter of credit	230	230
Flow consumer loan purchase and sale agreement	175	3,700
Line of credit	—	427
Total	$655	$ 4,857

14. Offsetting of Assets and Liabilities

The Company records financial instruments at fair value as described in Note 2. All financial instruments are recorded on a gross basis on the Consolidated Statement of Assets, Liabilities, and Equity. In connection with the vast majority of its derivative, repurchase and reverse repurchase agreements, and the related trading agreements, the Company and its counterparties are required to pledge collateral. Cash or other collateral is exchanged as required with each of the Company's counterparties in connection with open derivative positions, and repurchase and reverse repurchase agreements.

The following tables present information about certain assets and liabilities representing financial instruments as of December 31, 2016 and 2015. The Company has not entered into master netting agreements with any of its counterparties. Certain of the Company's repurchase and reverse repurchase agreements and financial derivative transactions are governed by underlying agreements that generally provide a right of offset in the event of default or in the event of a bankruptcy of either party to the transaction.

December 31, 2016:

Description	Amount of Assets (Liabilities) Presented in the Consolidated Statements of Assets, Liabilities, and Equity(1)	Financial Instruments Available for Offset	Financial Instruments Transferred or Pledged as Collateral(2)(3)	Cash Collateral (Received) Pledged(2)(3)	Net Amount
(In thousands)					
Assets					
Financial derivatives–assets	$ 35,595	$ (15,082)	$ —	$ (7,933)	$12,580
Repurchase agreements	184,819	(184,819)	—	—	—
Liabilities					
Financial derivatives–liabilities	(18,687)	15,082	—	3,574	(31)
Reverse repurchase agreements	(1,033,581)	184,819	809,573	39,189	—

December 31, 2015:

Description	Amount of Assets (Liabilities) Presented in the Consolidated Statements of	Financial Instruments Available for Offset	Financial Instruments Transferred or Pledged as Collateral(2)(3)	Cash Collateral (Received) Pledged(2)(3)	Net Amount

(In thousands)	Assets, Liabilities, and Equity[(1)]				
Assets					
Financial derivatives–assets	$ 162,905	$ (18,644)	$ —	$ (105,202)	$39,059
Repurchase agreements	105,700	(105,700)	—	—	—
Liabilities					
Financial derivatives–liabilities	(60,472)	18,644	—	41,699	(129)
Reverse repurchase agreements	(1,174,189)	105,700	1,042,947	25,542	—

(1) In the Company's Consolidated Statement of Assets, Liabilities, and Equity, all balances associated with repurchase agreements, reverse repurchase agreements, and financial derivatives are presented on a gross basis.

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(2) For the purpose of this presentation, for each row the total amount of financial instruments transferred or pledged and cash collateral (received) or pledged may not exceed the applicable gross amount of assets or (liabilities) as presented here. Therefore, the Company has reduced the amount of financial instruments transferred or pledged as collateral related to the Company's reverse repurchase agreements and cash collateral pledged on the Company's financial derivative liabilities. Total financial instruments transferred or pledged as collateral on the Company's reverse repurchase agreements as of December 31, 2016 and 2015 were $1.16 billion and $1.36 billion, respectively. As of December 31, 2016 and 2015, total cash collateral on financial derivative assets excludes excess net cash collateral pledged of $14.9 million and $4.1 million, respectively. As of December 31, 2016 and 2015, total cash collateral on financial derivative liabilities excludes excess cash collateral pledged of $14.8 million and $45.8 million, respectively.

(3) When collateral is pledged to or pledged by a counterparty, it is often pledged or posted with respect to all positions with such counterparty, and in such cases such collateral cannot be specifically identified as relating to a specific asset or liability. As a result, in preparing the above tables, the Company has made assumptions in allocating pledged or posted collateral among the various rows.

15. Commitments and Contingencies

The Company provides current directors and officers with a limited indemnification against liabilities arising in connection with the performance of their duties to the Company.

In the normal course of business the Company may also enter into contracts that contain a variety of representations, warranties, and general indemnifications. The Company's maximum exposure under these arrangements, including future claims that may be made against the Company that have not yet occurred, is unknown. The Company has not incurred any costs to defend lawsuits or settle claims related to these indemnification agreements. The Company has no liabilities recorded for these agreements as of December 31, 2016 and 2015.

In August 2015 the Company entered into participation and guarantee agreements whereby: (i) the Company purchased a $10 million participation interest in a borrowing facility structured as a repurchase agreement, or "Repo Facility," between two parties unrelated to the Company, and (ii) the Company guarantees the borrower's payment obligations under the Repo Facility. The borrower may borrow up to $200 million under the Repo Facility, which is collateralized by residential mortgage loans which are required to be (1) eligible for guarantee by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, or (2) eligible for insurance by the Federal Housing Administration, or the U.S. Department of Veterans Affairs. To the extent the borrower performs under the Repo Facility over the term of the participation and guarantee agreements, the Company will be reimbursed in full its $10 million participation interest. Should the borrower default under the Repo Facility, the Company would be required to post to the lender an additional 5% of the then-outstanding amount borrowed under the Repo Facility and should the lender then exercise its rights under the guarantee, the Company could be required to purchase the mortgage loan collateral at a price equal to the aggregate amount borrowed under the Repo Facility, inclusive of accrued interest and any outstanding unused facility fees. In this case, the Company would have full recourse to the borrower to the extent of any deficit between the value of the mortgage loan collateral and the price paid by the Company for such collateral. The Company has the option, but not the obligation, to finance a specified portion of such purchase with the lender for up to six months via a pre-negotiated, committed repurchase facility. As a result of these agreements, the Company's risk is a function of the ongoing creditworthiness of the borrower and market value of the mortgage loan collateral in relation to the amount owed by the borrower under the Repo Facility. For its participation in this arrangement, the Company is paid monthly and quarterly fees based on the amount utilized under the Repo Facility. Fees received are included in "Other Income" on the Company's Consolidated Statement of Operations. The participation interest in the amount of $10 million is included in "Due from broker" on the Company's Consolidated Statement of Assets, Liabilities, and Equity. The Company's obligation under this arrangement is deemed to be a guaranty under ASC 460-10, Guarantees, and is carried at fair value and included in "Other Liabilities," on the Consolidated Statement of Assets, Liabilities, and Equity.

As of December 31, 2016 the borrower utilized approximately $173.5 million under the Repo Facility and is performing on its obligations under such facility. The original agreement expired in August 2016. Following the expiration, the parties to the arrangement have agreed to several extensions with the most recent extension terminating

in February 2017.
Commitments and Contingencies Related to Investments in Mortgage Originators
In connection with certain of its investments in mortgage originators, the Company has outstanding commitments and contingencies as described below.
In connection with its equity interest in a mortgage originator, as described in Note 7, Related Party Transactions, the Company has entered into agreements whereby it guarantees the performance of the mortgage originator under a warehouse facility and a master repurchase agreement. As of December 31, 2016, the Company's maximum aggregate guarantees were $125.0 million. The Company's obligations under these arrangements are deemed to be guarantees under ASC 460-10, Guarantees, and are carried at fair value and included in Other Liabilities on the Consolidated Statement of Assets, Liabilities, and Equity. As of December 31, 2016, the Company and its co-investor each had a commitment to invest an additional $10 million in this mortgage originator.
As described in Note 7, Related Party Transactions, the Company entered into a flow mortgage loan purchase and sale

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agreement with another mortgage originator whereby the Company has committed to purchase eligible residential mortgage loans, to the extent they are originated in accordance with the Company's specifications, which it may modify in its sole discretion, in an amount of at least $200 million. The Company may opt to increase the amount purchased in its sole discretion based on its evaluation of mortgage loans previously purchased as well as market conditions. As of December 31, 2016, the Company purchased loans under this agreement in the amount of $99.2 million and it has outstanding mortgage loan purchase commitments of $20.6 million, which are contingent upon successful loan closings in accordance with agreed-upon parameters.

16. Financial Highlights

Results of Operations for a Share Outstanding Throughout the Periods:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Beginning Shareholders' Equity Per Share (12/31/2015, 12/31/2014, and 12/31/2013, respectively)	$ 22.10	$ 23.38	$ 24.40
Net Investment Income	1.09	1.98	2.10
Net Realized/Unrealized Gains (Losses)	(1.57)	(0.83)	0.04
Results of Operations Attributable to Equity	(0.48)	1.15	2.14
Less: Results of Operations Attributable to Non-controlling Interests	(0.01)	(0.01)	(0.03)
Results of Operations Attributable to Shareholders' Equity[(1)]	(0.49)	1.14	2.11
Dividends Paid to Common Shareholders	(1.95)	(2.45)	(3.08)
Weighted Average Share Impact on Dividends Paid [(2)]	(0.04)	(0.05)	(0.01)
Accretive (Dilutive) Effect of Share Issuances (Net of Offering Costs), Share Repurchases, and Adjustments to Non-controlling Interest	0.13	0.08	(0.04)
Ending Shareholders' Equity Per Share (12/31/2016, 12/31/2015, and 12/31/2014, respectively)[(3)]	$ 19.75	$ 22.10	$ 23.38
Shares Outstanding, end of period	32,294,703	33,126,012	33,449,678

(1) Calculated based on average common shares outstanding and can differ from the calculation for EPS (See Note 11).

(2) Per share impact on dividends paid relating to share issuances/repurchases during the period as well as dividends paid to LTIP and OP Unit holders.

(3) If all LTIP Units and OP Units previously issued were vested and exchanged for common shares as of December 31, 2016, 2015, and 2014, shareholders' equity per share would be $19.46, $21.80, and $23.09, respectively.

Total Return:

The Company calculates its total return two ways, one based on its reported net asset value and the other based on its publicly traded share price.

The following table illustrates the Company's total return for the periods presented based on net asset value:

Net Asset Value Based Total Return for a Shareholder: [(1)]

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Return	(1.83)%	5.14%	8.77%

(1) Total return is calculated assuming reinvestment of distributions at shareholders' equity per share during the period.

Market Based Total Return for a Shareholder:

For the years ended December 31, 2016, 2015, and 2014, the Company's market based total return based on the closing price as reported by the New York Stock Exchange was 3.50%, (4.56)%, and 0.15%, respectively. Calculation of market based total return assumes the reinvestment of dividends at the closing price as reported by the New York Stock Exchange as of the ex-date.

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Net Investment Income Ratio to Average Equity: (1)

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Net Investment Income (2)	5.22%	8.59%	8.62%

(1) Average equity is calculated using month end values.

(2) Includes incentive fee in calculation which can vary substantially over periods.

Expense Ratios to Average Equity: (1)

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Operating expenses, before interest expense and other investment related expenses	(2.93)%	(2.69)%	(2.80)%
Incentive fee	—%	—%	(0.21)%
Interest expense and other investment related expenses	(3.56)%	(2.30)%	(2.14)%
Total Expenses	(6.49)%	(4.99)%	(5.15)%

(1) Average equity is calculated using month end values.

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17. Condensed Quarterly Financial Data (Unaudited)

Detailed below is unaudited quarterly financial data for the years ended December 31, 2016 and 2015.

	Three Month Period Ended			
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
(In thousands except per share amounts)				
INVESTMENT INCOME				
Interest income	$20,427	$18,990	$16,662	$18,265
Other income	1,668	1,024	807	2,342
Total investment income	22,095	20,014	17,469	20,607
EXPENSES				
Base management fee	2,611	2,553	2,485	2,416
Interest expense	3,468	4,234	4,143	4,461
Other investment related expenses	1,749	2,191	2,068	2,062
Other operating expenses	2,445	2,515	2,379	2,640
Total expenses	10,273	11,493	11,075	11,579
NET INVESTMENT INCOME	11,822	8,521	6,394	9,028
NET REALIZED AND CHANGE IN NET UNREALIZED GAIN (LOSS) ON INVESTMENTS, FINANCIAL DERIVATIVES, AND FOREIGN CURRENCY TRANSACTIONS/TRANSLATION				
Net realized gain (loss) on investments, financial derivatives, and foreign currency transactions	(11,940)	(2,331)	(23,020)	(2,242)
Change in net unrealized gain (loss) on investments, financial derivatives, and foreign currency translation	(23,068)	(1,188)	17,176	(4,854)
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FINANCIAL DERIVATIVES, AND FOREIGN CURRENCY	(35,008)	(3,519)	(5,844)	(7,096)
NET INCREASE (DECREASE) IN EQUITY RESULTING FROM OPERATIONS	(23,186)	5,002	550	1,932
LESS: NET INCREASE IN EQUITY RESULTING FROM OPERATIONS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	14	17	34	240
NET INCREASE (DECREASE) IN SHAREHOLDERS' EQUITY RESULTING FROM OPERATIONS	$(23,200)	$4,985	$516	$1,692
NET INCREASE (DECREASE) IN SHAREHOLDERS' EQUITY RESULTING FROM OPERATIONS PER SHARE:				
Basic and Diluted	$(0.69)	$0.15	$0.02	$0.05

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	Three Month Period Ended			
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015
(In thousands except per share amounts)				
INVESTMENT INCOME				
Interest income	$26,513	$25,739	$26,440	$23,091
Other income	293	1,023	565	932
Total investment income	26,806	26,762	27,005	24,023
EXPENSES				
Base management fee	2,952	2,920	2,849	2,772
Interest expense	2,986	2,867	3,073	3,186
Other investment related expenses	1,202	1,163	1,473	1,774
Other operating expenses	2,199	2,082	2,087	2,835
Total expenses	9,339	9,032	9,482	10,567
NET INVESTMENT INCOME	17,467	17,730	17,523	13,456
NET REALIZED AND CHANGE IN NET UNREALIZED GAIN (LOSS) ON INVESTMENTS, FINANCIAL DERIVATIVES, AND FOREIGN CURRENCY TRANSACTIONS/TRANSLATION				
Net realized gain (loss) on investments, financial derivatives, and foreign currency transactions	10,429	761	8,280	1,483
Change in net unrealized gain (loss) on investments, financial derivatives, and foreign currency translation	(8,479)	(5,268)	(21,876)	(13,077)
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FINANCIAL DERIVATIVES, AND FOREIGN CURRENCY	1,950	(4,507)	(13,596)	(11,594)
NET INCREASE IN EQUITY RESULTING FROM OPERATIONS	19,417	13,223	3,927	1,862
LESS: NET INCREASE IN EQUITY RESULTING FROM OPERATIONS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	156	71	31	82
NET INCREASE IN SHAREHOLDERS' EQUITY RESULTING FROM OPERATIONS	$19,261	$13,152	$3,896	$1,780
NET INCREASE IN SHAREHOLDERS' EQUITY RESULTING FROM OPERATIONS PER SHARE:				
Basic and Diluted	$0.57	$0.39	$0.12	$0.05

18. Subsequent Events

On February 8, 2016, the Company's Board of Directors approved a dividend for the fourth quarter of 2016 in the amount of $0.45 per share payable on March 15, 2017 to shareholders of record as of March 1, 2017.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures
None.
Item 9A. Controls and Procedures
Disclosure Controls and Procedures
We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosures. An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of December 31, 2016. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2016.
Internal Control Over Financial Reporting
There have been no changes in our internal control over financial reporting that occurred during the three month period ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.
Management's Report on Internal Control over Financial Reporting
Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in 13a-15(f) and 15d-15(f) of the Exchange Act). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on our financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting using the criteria set forth in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment and those criteria, our management concluded that our internal control over financial reporting was effective as of December 31, 2016.
The Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, has issued an attestation report on the Company's internal control over financial reporting. This report appears on page 91 of this Annual Report on Form 10-K.
Item 9B. Other Information
Not applicable.
PART III
Item 10. Directors, Executive Officers and Corporate Governance
The information required by Item 10 is incorporated by reference to information to be included in our definitive Proxy Statement for our 2017 annual shareholders' meeting.
Our Board of Directors has established a Code of Business Conduct and Ethics that applies to our officers and directors and to our Manager's and certain of its affiliates' officers, directors and employees when such individuals are acting for us or on our behalf which is available on our website at www.ellingtonfinancial.com. Any waiver of our

Code of Business Conduct and

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Ethics of our executive officers or directors may be made only by our Board or one of its committees.
We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K relating to amendments to or waivers from any provision of our Code of Business Conduct and Ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions and that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K by posting such information on our website at www.ellingtonfinancial.com under the, "For Our Shareholders—Corporate Governance" section of the website.

Item 11. Executive Compensation

The information required by Item 11 is incorporated by reference to information to be included in our definitive Proxy Statement for our 2017 annual shareholders' meeting.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The information required by Item 12 is incorporated by reference to information to be included in our definitive Proxy Statement for our 2017 annual shareholders' meeting.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Item 13 is incorporated by reference to information to be included in our definitive Proxy Statement for our 2017 annual shareholders' meeting.

Item 14. Principal Accounting Fees and Services

The information required by Item 14 is incorporated by reference to information to be included in our definitive Proxy Statement for our 2017 annual shareholders' meeting.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report:

1. Financial Statements.

See Index to consolidated financial statements, included in Part II, Item 8 of this Annual Report on Form 10-K.

2. Schedules to Financial Statements:

All financial statement schedules not included have been omitted because they are either inapplicable or the information required is provided in our Financial Statements and Notes thereto, included in Part II, Item 8, of this Annual Report on Form 10-K.

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Exhibit	Description
3.1	Second Amended and Restated Operating Agreement of Ellington Financial LLC (incorporated by reference to the registration statement on Form S-11 (No. 333-160562), filed on July 14, 2009, as amended).
3.2	First Amendment to Second Amended and Restated Operating Agreement of Ellington Financial LLC (incorporated by reference to the quarterly report on Form 10-Q for the quarterly period ended June 30, 2011).
4.1	Form of Common Share Certificate of Ellington Financial LLC (incorporated by reference to the registration statement on Form S-11 (No. 333-160562), filed on July 14, 2009, as amended).
10.1	Sixth Amended and Restated Management Agreement, by and between the Company, Ellington Financial Operating Partnership LLC and Ellington Financial Management LLC, dated as of November 3, 2015 (incorporated by reference to the Quarterly Report on Form 10-Q for the quarter ended September 30, 2015).
10.2	Operating Agreement of Ellington Financial Operating Partnership LLC, by and between the Company, Ellington Financial Operating Partnership LLC and EMG Holdings, L.P., dated as of January 1, 2013 (incorporated by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 2012)
10.3†	2007 Incentive Plan for Individuals (incorporated by reference to the registration statement on Form S-11 (No. 333-160562), filed July 14, 2009, as amended)
10.4†	2007 Incentive Plan for Entities (incorporated by reference to the registration statement on Form S-11 (No. 333-160562), filed July 14, 2009, as amended)
10.5†	Form of LTIP Unit Award Agreement for Directors (incorporated by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 2011)
10.6†	Form of LTIP Unit Award Agreement for Individuals (incorporated by reference to the Annual Report on Form 10-K for the fiscal year ended December 31, 2011)
10.7	Form of Indemnity Agreement (incorporated by reference to the registration statement on Form S-11 (No. 333-160562), filed on July 14, 2009, as amended)
12.1	Statement re: Computation of Ratio of Earnings to Fixed Charges and of Earnings to Combined Fixed Charges and Preferred Stock Dividends
21.1	List of Subsidiaries
23.1	Consent of the Independent Registered Public Accounting Firm
24.1	Power of Attorney (included on Signature Page)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes – Oxley Act of 2002
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002

32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes – Oxley Act of 2002
101	The following financial information from Ellington Financial LLC's Annual Report on Form 10-K for the year ended December 31, 2016, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Statement of Assets, Liabilities, and Equity, (ii) Consolidated Statement of Operations, (iii) Consolidated Statements of Changes in Equity, (iv) Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements.

* Furnished herewith. These certifications are not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

† Compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

For purposes of CFTC Rule 4.22(h), to the best of the knowledge and belief of the undersigned, the information contained in the CFTC Annual Report set forth herein is accurate and complete.

		ELLINGTON FINANCIAL LLC.
Date:	March 16, 2017	By: /s/ LAURENCE PENN
		Laurence Penn Chief Executive Officer (Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that we, the undersigned officers and directors of Ellington Financial LLC, hereby severally constitute Laurence Penn, Daniel Margolis, Jason Frank and Lisa Mumford, and each of them singly, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, the Annual Report on Form 10-K filed herewith and any and all amendments to said Annual Report on Form 10-K, and generally to do all such things in our names and in our capacities as officers and directors to enable Ellington Financial LLC to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all requirements of the SEC, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Annual Report on Form 10-K and any and all amendments thereto.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and dates indicated.

Signature	Title	Date
/s/ LAURENCE PENN LAURENCE PENN	Chief Executive Officer, President and Director (Principal Executive Officer)	March 16, 2017
/s/ LISA MUMFORD LISA MUMFORD	Chief Financial Officer(Principal Financial and Accounting Officer)	March 16, 2017
/s/ MICHAEL W. VRANOS MICHAEL W. VRANOS	Director	March 16, 2017
/s/ THOMAS F. ROBARDS THOMAS F. ROBARDS	Chairman of the Board	March 16, 2017
/s/ RONALD I. SIMON PH.D RONALD I. SIMON PH.D	Director	March 16, 2017
/s/ EDWARD RESENDEZ EDWARD RESENDEZ	Director	March 16, 2017

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