

HUNTON & WILLIAMS LLP
RIVERFRONT PLAZA, EAST TOWER
951 EAST BYRD STREET
RICHMOND, VIRGINIA 23219-4074

TEL 804 — 788 — 8200
FAX 804 — 788 — 8218

FILE NO: 68139.1004

October 5, 2010

VIA EDGAR

Mr. Thomas Kluck
United States Securities and Exchange Commission
Division of Corporation Finance
100 F Street, N.E.
Washington, D.C. 20549

RE: Ellington Financial LLC
Pre-Effective Amendment No. 10 to Registration Statement on Form S-11
Filed on September 30, 2010
Registration No. 333-160562

Dear Mr. Kluck:

As counsel to Ellington Financial LLC, a Delaware limited liability company (the “Company”), we are transmitting for filing the Company’s supplemental response to Comment 1 of the Staff of the Division of Corporation Finance (the “Staff”) of the Securities and Exchange Commission (the “Commission”) contained in your letter dated September 28, 2010.

For convenience of reference, Comment 1 contained in your September 28, 2010 comment letter is reprinted below in italics and is followed by the corresponding response of the Company.

In addition, we have provided to each of you, Jessica Barberich, Yolanda Crittendon and Duc Dang a courtesy copy of this letter and two courtesy copies of Pre-Effective Amendment No. 11 to the Company’s Registration Statement on Form S-11 (File No. 333-160562) filed by the Company on October 4, 2010, one copy of which has been marked to reflect changes made to Amendment No. 10 to the Registration Statement filed with the Commission on September 30, 2010. Capitalized terms used and not otherwise defined in this response letter that are defined in the Registration Statement shall have the meanings set forth in the Registration Statement.

Liquidity Management, page 97

Our Financing Strategies and Use of Leverage, page 97

1. *We have read your response to comment three in our letter dated June 10, 2010. Please walk us through an example of when you engage in a TBA roll transaction with the same counterparty, a TBA roll transaction with different counterparties, as well as a TBA non-roll purchase and sale transaction. For each example, please include journal entries and the timing when such entries are recorded. Your examples should also discuss how these transactions are being presented on the balance sheet.*

RESPONSE: In response to the Staff's comment, we have prepared journal entries related to four examples of TBA transactions. The examples, which are set forth on Exhibit A hereto, are as follows:

- Example 1— Initial Short TBA Transaction with Counterparty X Followed by a TBA Roll Transaction with Counterparty Y
- Example 2—Initial Short TBA Transaction with Counterparty X Followed by a TBA Roll Transaction with Counterparty X
- Example 3—Initial Short TBA Transaction with Counterparty X Followed by a Non-Roll Transaction with Counterparty Y
- Example 4—Initial Short TBA Transaction with Counterparty X Followed by a Non-Roll Transaction with Counterparty X

If you have any questions or comments regarding the foregoing, or have additional questions or comments, please contact the undersigned at (804) 788-7366.

Very truly yours,

/s/ Daniel M. LeBey
Daniel M. LeBey

Mr. Thomas Kluck

October 5, 2010

Page 3

cc: Valerie Ford Jacob
Paul D. Tropp
Laurence Penn
Lisa Mumford

Exhibit A

Example 1 — Initial Short Transaction with Counterparty X followed by a TBA Roll Transaction with Counterparty Y

Date	Journal Entries	Dr	Cr	Notes
1/12/20XX	1 Transaction A: Short sale of 50,000,000 TBA FNMA 4.5% @ 103 for settlement 2/14 to Counterparty X Receivable for Securities Sold Investments Sold Short	51,500,000	51,500,000	
1/29/20XX	2 Transaction B: Purchase of 50,000,000 TBA FNMA 4.5% @ 102 for settlement 2/14 from Counterparty Y Investments Payable for Securities Purchased	51,000,000	51,000,000	Transaction B is not offset against Transaction A since the counterparties differ.
1/29/20XX	3 Transaction C: Short sale of 50,000,000 TBA FNMA 4.5% @ 101.5 for settlement 3/14 to Counterparty Y Receivable for Securities Sold Investments Sold Short	50,750,000	50,750,000	Transaction C is not offset against Transaction B since the settlement dates differ.
<p><i>Assume that at 1/31/20XX, TBA FNMA 4.5% for settlement 2/14 are valued at 102, and TBA FNMA 4.5% for settlement 3/14 are valued at 101.5.</i></p>				So only Transaction A has an unrealized gain/loss.
1/31/20XX	4 <i>To record unrealized gain on Transaction A</i> Investments Sold Short Unrealized Gain	500,000	500,000	

1/31/20XX	Month End Balance Sheet
	Investments 51,000,000
	Receivable for Securities Sold 102,250,000
	Total Assets <u>153,250,000</u>
	Investments Sold Short 101,750,000
	Payable for Securities Purchased 51,000,000
	Total Liabilities <u>152,750,000</u>
	Shareholders' Equity 500,000
	Liabilities and Shareholders' Equity <u>153,250,000</u>

Assume that at the Company's request, Transaction A is assigned by Counterparty X to Counterparty Y in order for the Company to avoid the complications and risks of having to intermediate the delivery of securities from Counterparty Y to Counterparty X.

Counterparty Y is now the counterparty to both Transaction A and Transaction B, and these transactions can then be settled on a net basis.

2/14/20XX	5 <i>To record net settlement of Transaction A and Transaction B and the associated realization of unrealized gain</i> Investments Sold Short Payable for Securities Purchased Cash Receivable for Securities Sold Investments Unrealized Gain Realized Gain	51,000,000 51,000,000 500,000 51,500,000 51,000,000 500,000 500,000	500,000	
-----------	---	---	---------	--

Assume that at 2/28/20XX, TBA FNMA 4.5% for settlement 3/14 are valued at 101.5

2/28/20XX	Month End Balance Sheet
	Cash 500,000
	Investments —
	Receivable for Securities Sold 50,750,000
	Total Assets <u>51,250,000</u>
	Investments Sold Short 50,750,000
	Payable for Securities Purchased —
	Total Liabilities <u>50,750,000</u>
	Shareholders' Equity 500,000
	Liabilities and Shareholders' Equity <u>51,250,000</u>

Example 2 — Initial Short Transaction with Counterparty X followed by a Roll Transaction with Counterparty X

Date	Journal Entries	Dr	Cr	Notes
1/12/20XX	1 Transaction A: Short sale of 50,000,000 TBA FNMA 4.5% @ 103 for settlement 2/14 to Counterparty X Receivable for Securities Sold Investments Sold Short	51,500,000	51,500,000	
1/29/20XX	2 Transaction B: Purchase of 50,000,000 TBA FNMA 4.5% @ 102 for settlement 2/14 from Counterparty X Investments Sold Short Receivable for Securities Sold	51,000,000	51,000,000	Transaction B is offset against Transaction A since the right of offset exists (same counterparty, same cusip, same settlement).
1/29/20XX	3 Transaction C: Short sale of 50,000,000 TBA FNMA 4.5% @ 101.5 for settlement 3/14 to Counterparty X Receivable for Securities Sold Short Investments Sold Short	50,750,000	50,750,000	
1/29/20XX	4 To recognize realized gain on Transactions A and B Investments Sold Short Realized Gain (Equity)	500,000	500,000	Because the right of offset exists for accounting purposes, the net gain is characterized as realized.

Assume that at 1/31/20XX, TBA FNMA 4.5% for settlement 3/14 are valued at 101.5.

1/31/20XX	Month End Balance Sheet Investments Receivable for Securities Sold Total Assets Investments Sold Short Payable for Securities Purchased Total Liabilities Shareholders' Equity Liabilities and Shareholders' Equity	— 51,250,000 <u>51,250,000</u> 50,750,000 — 50,750,000 500,000 <u>51,250,000</u>
------------------	--	---

2/14/20XX	5 To record net settlement with Counterparty X Cash Receivable for Securities Sold	500,000	500,000	
-----------	---	---------	---------	--

Assume that at 2/28/20XX, TBA FNMA 4.5% for settlement 3/14 are valued at 101.5.

2/28/20XX	Month End Balance Sheet Cash Investments Receivable for Securities Sold Total Assets Investments Sold Short Payable for Securities Purchased Total Liabilities Shareholders' Equity Liabilities and Shareholders' Equity	500,000 — 50,750,000 <u>51,250,000</u> 50,750,000 — 50,750,000 500,000 <u>51,250,000</u>
------------------	--	--

Example 3 — Initial Short Transaction with Counterparty X followed by a Non-Roll Transaction with Counterparty Y

Date	Journal Entries	Dr	Cr	Notes
1/12/20XX	1 Transaction A: Short sale of 50,000,000 FNMA 4.5% @ 103 for settlement 2/14 to Counterparty X			
	Receivable for Securities Sold	51,500,000		
	Investments Sold Short		51,500,000	

Assume the Company does not wish to maintain its short position; but rather chooses to “flatten out” Transaction A.

1/29/20XX	2 Transaction B: Purchase of 50,000,000 FNMA 4.5% @ 102 for settlement 2/14 from Counterparty Y			Transaction B is not offset against Transaction A since the counterparties differ.
	Investments	51,000,000		
	Payable for Securities Purchased		51,000,000	

Assume that at 1/31/20XX, TBA FNMA 4.5% for settlement 2/14 are valued at 102.

1/31/20XX	3 <i>To record unrealized gain on Transaction A</i>			
	Investments Sold Short	500,000		
	Unrealized Gain		500,000	

1/31/20XX		Month End Balance Sheet	
	Investments	51,000,000	
	Receivable for Securities Sold	51,500,000	
	Total Assets	<u>102,500,000</u>	
	Investments Sold Short	51,000,000	
	Payable for Securities Purchased	51,000,000	
	Total Liabilities	<u>102,000,000</u>	
	Shareholders' Equity	500,000	
	Liabilities and Shareholders' Equity	<u><u>102,500,000</u></u>	

Assume that at the Company's request, Transaction A is assigned by Counterparty X to Counterparty Y in order for the Company to avoid the complications and risks of having to intermediate the delivery of securities from Counterparty Y to Counterparty X.

Counterparty Y is now the counterparty to both Transaction A and Transaction B, and these transactions can then be settled on a net basis.

2/14/20XX	4 <i>To record net settlement of Transaction A and Transaction B and the associated realization of unrealized gain</i>			
	Investments Sold Short	51,000,000		
	Payable for Securities Purchased	51,500,000		
	Cash	500,000		
	Receivable for Securities Sold		51,500,000	
	Investments		51,500,000	
	Unrealized Gain	500,000		
	Realized Gain		500,000	

2/28/20XX		Month End Balance Sheet	
	Cash	500,000	
	Investments	—	
	Receivable for Securities Sold	—	
	Total Assets	<u>500,000</u>	
	Investments Sold Short	—	
	Payable for Securities Purchased	—	
	Total Liabilities	—	
	Shareholders' Equity	500,000	
	Liabilities and Shareholders' Equity	<u><u>500,000</u></u>	

Example 4 — Initial Short Transaction with Counterparty X followed by a Non-Roll Transaction with Counterparty X

Date	Journal Entries	Dr	Cr	Notes																				
1/12/20XX	1 Transaction A: Short sale of 50,000,000 FNMA 4.5% @ 103 for settlement 2/14 to Counterparty X Receivable for Securities Sold Investments Sold Short	51,500,000	51,500,000																					
<p><i>Assume the Company does not wish to maintain its short position; but rather chooses to “flatten out” Transaction A.</i></p>																								
1/29/20XX	2 Transaction B: Purchase of 50,000,000 FNMA 4.5% @ 102 for settlement 2/14 from Counterparty X Investments Sold Short Receivable for Securities Sold	51,000,000	51,000,000	Transaction B is offset against Transaction A since the right of offset exists (same counterparty, same cusip, same settlement).																				
1/29/20XX	3 To record realized gain on Transaction A Receivable for Securities Sold Realized Gain	500,000	500,000																					
1/31/20XX	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;">Month End Balance Sheet</th> </tr> </thead> <tbody> <tr> <td style="width: 80%;">Investments</td> <td style="text-align: right;">—</td> </tr> <tr> <td>Receivable for Securities Sold</td> <td style="text-align: right;">500,000</td> </tr> <tr> <td style="padding-left: 20px;">Total Assets</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">500,000</td> </tr> <tr> <td>Investments Sold Short</td> <td style="text-align: right;">—</td> </tr> <tr> <td>Payable for Securities Purchased</td> <td style="text-align: right;">—</td> </tr> <tr> <td style="padding-left: 20px;">Total Liabilities</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">—</td> </tr> <tr> <td>Shareholders’ Equity</td> <td style="text-align: right;">500,000</td> </tr> <tr> <td>Liabilities and Shareholders’ Equity</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">500,000</td> </tr> </tbody> </table>				Month End Balance Sheet		Investments	—	Receivable for Securities Sold	500,000	Total Assets	500,000	Investments Sold Short	—	Payable for Securities Purchased	—	Total Liabilities	—	Shareholders’ Equity	500,000	Liabilities and Shareholders’ Equity	500,000		
Month End Balance Sheet																								
Investments	—																							
Receivable for Securities Sold	500,000																							
Total Assets	500,000																							
Investments Sold Short	—																							
Payable for Securities Purchased	—																							
Total Liabilities	—																							
Shareholders’ Equity	500,000																							
Liabilities and Shareholders’ Equity	500,000																							
2/14/20XX	4 To record net settlement with Counterparty X Cash Receivable for Securities Sold	500,000	500,000																					
2/28/20XX	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;">Month End Balance Sheet</th> </tr> </thead> <tbody> <tr> <td style="width: 80%;">Cash</td> <td style="text-align: right;">500,000</td> </tr> <tr> <td>Investments</td> <td style="text-align: right;">—</td> </tr> <tr> <td style="padding-left: 20px;">Receivable for Securities Sold</td> <td style="text-align: right;">—</td> </tr> <tr> <td style="padding-left: 20px;">Total Assets</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">500,000</td> </tr> <tr> <td>Investments Sold Short</td> <td style="text-align: right;">—</td> </tr> <tr> <td>Payable for Securities Purchased</td> <td style="text-align: right;">—</td> </tr> <tr> <td style="padding-left: 20px;">Total Liabilities</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">—</td> </tr> <tr> <td>Shareholders’ Equity</td> <td style="text-align: right;">500,000</td> </tr> <tr> <td>Liabilities and Shareholders’ Equity</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">500,000</td> </tr> </tbody> </table>				Month End Balance Sheet		Cash	500,000	Investments	—	Receivable for Securities Sold	—	Total Assets	500,000	Investments Sold Short	—	Payable for Securities Purchased	—	Total Liabilities	—	Shareholders’ Equity	500,000	Liabilities and Shareholders’ Equity	500,000
Month End Balance Sheet																								
Cash	500,000																							
Investments	—																							
Receivable for Securities Sold	—																							
Total Assets	500,000																							
Investments Sold Short	—																							
Payable for Securities Purchased	—																							
Total Liabilities	—																							
Shareholders’ Equity	500,000																							
Liabilities and Shareholders’ Equity	500,000																							