

**CHARTER OF THE  
AUDIT COMMITTEE OF THE BOARD OF TRUSTEES  
FOR ELLINGTON CREDIT COMPANY**

This document (the “Charter”) constitutes Charter of the Audit Committee (the “Audit Committee” or “Committee”) of Ellington Credit Company (the “Company”), a registered investment company. The Company is advised by Ellington Credit Company Management LLC (the “Adviser”).

**I. Organization.** The Audit Committee of the Company shall consist of at least three members appointed by the Board of Trustees of the Company (the “Board”). The Board may replace members of the Audit Committee for any reason.

No member of the Audit Committee shall be an “interested person” of the Company, as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (the “1940 Act”). Audit Committee members must also meet the independence standards set forth in the Company’s Nominating and Governance Committee Charter and Rule 10A-3(b)(1)(iii)<sup>1</sup> under the Securities Exchange Act of 1934, as amended, and any other applicable listing exchange rules. No member of the Audit Committee shall receive, directly or indirectly, any consulting, advisory or other compensatory fee from the Company except compensation for service as a member of the Board or a committee of the Board. No member of the Audit Committee may serve as a member of the Committee if such member serves on the audit committee of more than three public companies, unless the Board determines that such simultaneous service would not impair the ability of such trustee to effectively serve on the Committee

Each member of the Audit Committee must be financially literate, as that qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable time after appointment to the Audit Committee. The Board may presume that an “audit committee financial expert” as defined in Item 3 of Form N-CSR (“ACFE”) satisfies the requirement in the foregoing sentence. The Board, with the assistance of the Committee, shall determine whether any member of the Audit Committee is an ACFE. The Committee’s composition shall meet such other regulatory requirements relating to audit committees established from time to time by the U.S. Securities and Exchange Commission (the “SEC”) and any other applicable governmental entity or self-regulatory organization or law to which the Company is subject.

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<sup>1</sup> In order to be considered to be independent for purposes of Rule 10A-3(b)(i), a member of an audit committee of a listed issuer that is an investment company may not, other than in his or her capacity as a member of the audit committee, the board of trustees, or any other board committee:

- Accept directly or indirectly any consulting, advisory, or other compensatory fee from the issuer or any subsidiary thereof, provided that, unless the rules of the national securities exchange or national securities association provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the listed issuer (provided that such compensation is not contingent in any way on continued service); or
- Be an “interested person” of the issuer as defined in section 2(a)(19) of the 1940 Act.

The chairperson of the Committee shall be designated by the Board, provided that if the Board does not so designate a chairperson, the members of the Committee, by a majority vote, may designate a chairperson. Any vacancy on the Committee shall be filled by the Board. No member of the Committee shall be removed except by the Board.

**II. Committee Purpose.** The purposes of the Audit Committee are:

1. to oversee the accounting and financial reporting processes of the Company and its internal control over financial reporting and, as the Committee deems appropriate, to inquire into the internal control over financial reporting of certain third-party service providers;
2. to oversee, or, as appropriate, assist Board oversight of, the quality and integrity of the Company's financial statements and the independent audits thereof;
3. to oversee, or, as appropriate, assist Board oversight of, the Company's compliance with legal and regulatory requirements that relate to the Company's accounting and financial reporting, internal control over financial reporting and independent audits;
4. to approve, prior to appointment, the engagement of the Company's independent auditor (the "Auditor") and, in connection therewith, to oversee the compensation and review and evaluate the qualifications, independence and performance of the Auditor;
5. to act as a liaison between the Auditor and the full Board; and
6. to assist Board oversight of the Company's internal audit function (if any).

The Auditor for the Company shall report directly to the Audit Committee. Within the scope of its purpose, the Committee shall have unrestricted access to any of the Company's activities and personnel and shall have authority to retain independent counsel or other consultants as necessary in its judgment to assist or advise the Committee, and the Company shall provide funds to pay the costs and expenses of persons so retained. In addition, the Company shall provide funds to pay the compensation of the Auditor appointed by the Committee and the ordinary administrative expenses of the Committee.

While the Committee has the responsibilities and authority set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or reviews or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations or that the Company's internal controls over financial reporting are in compliance with law and other applicable requirements. These are the responsibilities of management and the Auditor.

**III. Duties and Powers of the Audit Committee.** To carry out its purposes, the Audit Committee shall have the following duties and powers:

1. to approve, prior to appointment, the engagement of the Auditor to annually audit and provide its opinion on the Company's financial statements, to recommend to

those Board members who are not “interested persons” (as that term is defined in Section 2(a)(19) of the 1940 Act) of the Company the selection, retention or termination of the Auditor and, in connection therewith, to review and evaluate matters potentially affecting the independence and capabilities of the Auditor. In evaluating the Auditor’s qualifications, performance and independence, the Audit Committee must, among other things, obtain and review a report by the Auditor, at least annually, describing the following items:

(a) all relationships between the Auditor and the Company, including each non-audit service provided to the Company and the matters set forth in Public Company Accounting Oversight Board (“PCAOB”) Rule 3526, Communication with Audit Committees Concerning Independence;

(b) any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and

(c) the audit firm’s internal quality-control procedures.

2. to approve, prior to appointment, the engagement of the Auditor to provide other audit services to the Company or to provide non-audit services to the Company, it’s the Adviser or any entity controlling, controlled by, or under common control with the Adviser (“adviser affiliate”) that provides ongoing services to the Company, if the engagement relates directly to the operations and financial reporting of the Company;

3. to develop, to the extent deemed appropriate by the Audit Committee, policies and procedures for pre-approval of the engagement of the Auditor to provide any of the services described in 2 above;

4. to consider the controls applied by the Auditor and any measures taken by management in an effort to assure that all items requiring preapproval by the Audit Committee are identified and referred to the Committee in a timely fashion;

5. to consider whether the non-audit services provided by the Auditor to the Company’s Adviser or any adviser affiliate that provides ongoing services to the Company, which services were not preapproved by the Audit Committee, are compatible with maintaining the Auditor’s independence;

6. to review the arrangements for and scope of the annual audit and any special audits;

7. to review and approve the fees proposed to be charged to the Company by the Auditor for each audit and non-audit service;

8. to consider information and comments from the Auditor with respect to the Company’s accounting and financial reporting policies, procedures and internal control over financial reporting (including the Company’s critical accounting policies and

practices, all alternative treatments of financial information that have been discussed by the Auditors and management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors), to consider management's responses to any such comments and, to the extent the Audit Committee deems necessary or appropriate, to promote improvements in the quality of the Company's accounting and financial reporting;

9. to consider information and comments from the Auditor with respect to, and meet with the auditor to discuss any matters of concern relating to, the Company's financial statements, including any adjustments to such statements recommended by the Auditor, to review the Auditor's opinion on the Company's financial statements and to review and discuss with management and the Auditor the Company's annual audited financial statements and other periodic financial statements, including any disclosures under "Management's Discussion of Company Performance;"

10. to consider and review any matters required to be discussed pursuant to applicable PCAOB Statements of Auditing Standards, Generally Accepted Auditing Standards and the rules and regulations of the SEC or other matters arising out of the audit that are significant to the oversight of the Company's financial reporting process;

11. to review tax matters affecting the Company, including:

(a) compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, including annual reviews for the Company concerning its qualification as a regulated investment company under the Code; and

(b) tax legislation and rulings;

12. to consider and review reports on capital gains and other items pertaining to Company dividends and their accruals;

13. to help resolve disagreements between management and the Auditor regarding financial reporting;

14. to consider any reports of difficulties that may have arisen in the course of the audit, including any limitations on the scope of the audit, and management's response thereto;

15. to review with the Company's principal executive officer and/or principal financial officer in connection with required certifications on Form N-CSR any significant deficiencies in the design or operation of internal control over financial reporting or material weaknesses therein and any reported evidence of fraud involving management or other employees who have a significant role in the Company's internal control over financial reporting;

16. to make a report as required by Item 407(d) of Regulation S-K indicating whether the Committee: (i) reviewed and discussed the financial statements with

management; (ii) discussed with the independent auditor the matters required by applicable auditing standards; and (iii) received the written disclosures and the letter from the independent auditor required by applicable requirements of the PCAOB regarding the independent auditor's communications with the Committee concerning independence, and discussed with the independent auditor their independence. The Committee's report should also indicate whether the Committee, based on its review and its discussions with management and the independent auditor, recommends to the Board that the financial statements be included in the Company's annual report for the last fiscal year;

17. to review reports and materials submitted by the Auditor regarding valuation of portfolio investments, including determinations of fair value or the procedures for the determination of the fair value of any such investments that do not have readily ascertainable market values, and the use of third party pricing services by management;

18. to review periodically, in accordance with the Company's Whistleblower Policy, matters submitted to the Committee regarding complaints received by the Company relating to accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company, the Adviser, administrator, transfer agent, distributor, or any other provider of accounting related services for the Company of concerns about accounting or auditing matters, and to address reports from attorneys or the Auditor of possible violations of federal or state law or fiduciary duty;

19. to review in a general manner, but not as a committee to assume responsibility for, the Company's processes with respect to risk assessment and risk management;

20. to set clear policies relating to the hiring by entities within the Company's investment company complex<sup>2</sup> of employees or former employees of the independent auditor;

21. to investigate or initiate an investigation of reports of improprieties or suspected improprieties in connection with the Company's accounting or financial reporting or anything else within the Committee's scope of responsibilities, and may retain, at the Company's expense, such independent counsel or other consultants or advisers as it deems necessary;

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<sup>2</sup> "Investment company complex" includes:

- the fund and its investment adviser or sponsor;
- any entity controlling, controlled by or under common control with the investment adviser or sponsor, if the entity: (i) is an investment adviser or sponsor; or (ii) is engaged in the business of providing administrative, custodian, underwriting or transfer agent services to any investment company, investment adviser or sponsor; and
- any investment company, hedge fund or unregistered fund that has an investment adviser included in the definition set forth in either of the two bullet points above.

An investment adviser, for these purposes, does not include a sub-adviser whose role is primarily portfolio management and that is subcontracted with or overseen by another investment adviser. Sponsor refers to the sponsor of a unit investment trust.

22. to report its activities to the full Board on a regular basis and to make such recommendations with respect to the above and other matters as the Audit Committee may deem necessary or appropriate;

23. to perform such other functions and to have such powers as may be necessary or appropriate in the efficient and lawful discharge of the powers provided in this Charter;

24. to review and discuss the Company's audited annual financial statements and unaudited semiannual reports with the Adviser and, in the case of the audited financials, the independent auditor, including the Company's disclosures under "Management's Discussion of Company Performance;"

25. to consider and, if appropriate, recommend or approve the publication of the Company's annual audited financial statements in the Company's annual report in advance of the printing and publication of the annual report, based on its review and discussions of such annual report with the independent auditor, the Company's officers and the Adviser; and (if applicable) prepare the audit committee report required to be included in the Company's proxy statement for its annual meeting of shareholders (if such meeting is required by law);

26. to, at least annually, obtain and review a report by the Auditor describing: (i) the Auditor's internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the Auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the Auditor, and any steps taken to deal with such issues; and (iii) (to assess the Auditor's independence) all relationships between the Auditor and the Company;

27. to discuss policies with respect to risk assessment and risk management, including (i) a discussion of the Company's guidelines and policies to govern the process by which Company management assesses and manages the Company's exposure to risk; (ii) a discussion of the Company's major financial risk exposures and the steps Company management has taken to monitor and control such exposures; and (iii) a general review of the processes which Company management have in place to manage and assess risk, if any;

28. to review hiring policies of the Adviser and the Company, if any, for employees and former employees of the Auditor; and

29. to discuss, to the extent applicable, any press release containing earnings or financial information or any such information provided to the public or analysts and rating agencies.

The Audit Committee shall have the resources and authority appropriate to discharge its responsibilities, including appropriate funding, as determined by the Audit Committee, for payment of compensation to the Auditor for the purpose of conducting the audit and rendering its audit report, the authority to retain and compensate special counsel and other experts or consultants as the Audit Committee deems necessary, the authority to obtain specialized training for Audit

Committee members, at the expense of the Company, as appropriate, and ordinary administrative expenses of the Audit Committee.

The Audit Committee may, in accordance with applicable laws, delegate any portion of its authority to a subcommittee of one or more members, including the authority to grant pre-approvals of audit and permitted non-audit services, pursuant to the details of the pre-approval policies and procedures adopted by the Audit Committee. Any decisions of the subcommittee to grant pre-approvals shall be presented to the full Audit Committee at its next regularly scheduled meeting.

**IV. Role and Responsibilities of the Audit Committee.** The function of the Audit Committee is oversight; it is management's responsibility to maintain appropriate systems for accounting and internal control over financial reporting, and the Auditor's responsibility to plan and carry out a proper audit. Specifically, the Company's management is responsible for: (i) the preparation, presentation and integrity of the Company's financial statements; (ii) the maintenance of appropriate accounting and financial reporting principles and policies; and (iii) the maintenance of internal control over financial reporting and other procedures designed to assure compliance with accounting standards and related laws and regulations. The Auditor is responsible for planning and carrying out an audit consistent with applicable legal and professional standards and the terms of its engagement letter. Nothing in this Charter shall be construed to reduce the responsibilities or liabilities of the Company's service providers, including the Auditor.

Although the Audit Committee is expected to take a detached and questioning approach to the matters that come before it, the review of the Company's financial statements by the Audit Committee is not an audit, nor does the Committee's review substitute for the responsibilities of the Company's management for preparing, or the Auditor for auditing, the financial statements. Members of the Audit Committee are not full-time employees of the Company and, in serving on this Committee, are not, and do not hold themselves out to be, acting as accountants or auditors. As such, it is not the duty or responsibility of the Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures.

In discharging his or her duties, a member of the Audit Committee is entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, if prepared or presented by: (i) one or more officers of the Company whom the trustee reasonably believes to be reliable and competent in the matters presented; (ii) legal counsel, public accountants, or other persons as to matters the trustee reasonably believes are within the person's professional or expert competence; or (iii) a Board committee of which the trustee is not a member.

**V. Operations of the Audit Committee.**

1. The Audit Committee shall meet on a regular basis and may hold special meetings when necessary. The chair or a majority of the members shall be authorized to call a meeting of the Audit Committee and send notice thereof.

2. Audit Committee members may attend Committee meetings telephonically (although they are encouraged to attend in person), and the Committee may act by written consent, to the extent permitted by law and by the Company's By-Laws.

3. The Audit Committee shall have the authority to meet privately and to admit non-members individually by invitation.

4. The Audit Committee shall regularly meet, in separate executive sessions, with representatives of Company management, the Company's internal auditor or other personnel responsible for the Company's internal audit function (if any) and the Auditor. The Committee may also request to meet with internal legal counsel and compliance personnel of the Company's investment adviser and with entities that provide significant accounting or administrative services to the Company to discuss matters relating to the Company's accounting and compliance as well as other Company related matters.

5. The Audit Committee shall prepare and retain minutes of its meetings and appropriate documentation of decisions made outside of meetings by delegated authority.

6. The Audit Committee may select one of its members to be the chair and may select a vice chair.

7. A majority of the members of the Audit Committee shall constitute a quorum for the transaction of business at any meeting of the Committee. The action of a majority of the members of the Audit Committee present at a meeting at which a quorum is present shall be the action of the Committee.

8. The Board shall adopt and approve this Charter and may amend it on the Board's own motion. The Audit Committee shall review this Charter at least annually and recommend to the full Board any changes the Committee deems appropriate.

9. The Audit Committee shall evaluate its performance at least annually. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or shall be within its scope and shall recommend such changes as it deems necessary or appropriate. The Committee shall address all matters that the Committee considers relevant to its performance, including a review and assessment of the adequacy of this Charter, and the annual performance evaluation shall be conducted in such manner as the Committee deems appropriate. The Committee shall deliver to the Board a report, which may be oral, setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.