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Western Asset Mortgage Capital Corp

Form DEF 14A

April 24, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant o

Filed by a Party other than the Registrant o

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

WESTERN ASSET MORTGAGE CAPITAL CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

WESTERN ASSET MORTGAGE CAPITAL CORPORATION
385 EAST COLORADO BOULEVARD
PASADENA, CALIFORNIA 91101
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JUNE 6, 2019

TO THE STOCKHOLDERS OF WESTERN ASSET MORTGAGE CAPITAL CORPORATION:

Notice is hereby given that the Annual Meeting of Stockholders of Western Asset Mortgage Capital Corporation, a Delaware corporation (the "Company"), will be held at the Company's corporate offices, 385 East Colorado Boulevard, Pasadena, California 91101, on June 6, 2019 at 9:00 A.M., local time, for the following purposes, all of which are more completely set forth in the accompanying Proxy Statement:

1. To elect the Board of Directors, with each director serving a one year term and until his or her successor is elected and qualified;
2. To ratify the selection of PricewaterhouseCoopers LLP, independent certified public accountants, as auditors for the Company for the year ending December 31, 2019; and
3. To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on April 15, 2019 are entitled to notice of and to vote at the Annual Meeting or any adjournments or postponements thereof. Stockholders should review the information provided herein in conjunction with the Company's 2018 Annual Report to Stockholders, which accompanies this Proxy Statement.

An additional copy of our Annual Report on Form 10 K for the year ended December 31, 2018, as filed with the Securities and Exchange Commission, except for exhibits, will be furnished without charge to any stockholder upon written or oral request to:

WESTERN ASSET MORTGAGE CAPITAL CORPORATION

Attn: Secretary

385 East Colorado Boulevard

Pasadena, California 91101

Phone: (626) 844 9400

The Company's Proxy Statement and Proxy accompany this notice.

By order of the Board of Directors,

Charles A. Ruys de Perez, Secretary

Pasadena, California

Date: April 24, 2019

Enclosures

****YOUR VOTE IS IMPORTANT****

YOU ARE URGED TO DATE, SIGN, AND PROMPTLY RETURN YOUR PROXY SO THAT YOUR SHARES MAY BE VOTED IN ACCORDANCE WITH YOUR WISHES AND IN ORDER THAT THE PRESENCE OF A QUORUM MAY BE ASSURED. THE PROMPT RETURN OF YOUR SIGNED PROXY, REGARDLESS OF THE NUMBER OF SHARES YOU HOLD, WILL AID THE COMPANY IN REDUCING THE EXPENSE OF ADDITIONAL PROXY SOLICITATION. THE GIVING OF SUCH PROXY DOES NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IN THE EVENT YOU ATTEND THE MEETING.

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS

Important Notice Regarding the Availability of Proxy Materials for the Annual Stockholder Meeting to be Held on June 6, 2019

Pursuant to rules promulgated by the Securities and Exchange Commission, we have elected to provide access to these proxy statement materials (which includes this proxy statement, a proxy card and our 2018 Annual Report to Stockholders) both by sending you this full set of proxy statement materials, including a proxy card, and by notifying you of the availability of such materials on the Internet.

This proxy statement, the Company's 2018 Annual Report and a proxy card are available at <http://proxy.westernassetmcc.com>.

The Annual Meeting of Stockholders will be held June 6, 2019 at 9:00 A.M. local time at our corporate offices located at 385 East Colorado Boulevard, Pasadena, California 91101. In order to obtain directions to attend the Annual Meeting of Stockholders, please call Charles A. Ruys de Perez, Secretary, at (626) 844 9400. The Proposals to be voted upon at the Annual Meeting of Stockholders, all of which are more completely set forth in this proxy statement, are as follows:

1. To elect the Board of Directors, with each director serving a one year term and until his or her successor is elected and qualified; and
2. To ratify the selection of PricewaterhouseCoopers LLP, independent certified public accountants, as auditors for the Company for the year ending December 31, 2019.

Our Board of Directors recommends that you vote "FOR" the approval of both Proposals.

For information on how to vote in person at the Annual Meeting of Stockholders, please see the sections entitled "Solicitation and Revocation of Proxy" and "Voting Securities" below.

PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD JUNE 6, 2019

This Proxy Statement is furnished in connection with the Annual Meeting of Stockholders of Western Asset Mortgage Capital Corporation (the "Company") to be held June 6, 2019 at 9:00 A.M. local time, or any adjournments or postponements thereof, at the Company's corporate offices, 385 East Colorado Boulevard, Pasadena, California 91101. This Proxy Statement and accompanying proxy are first being mailed to stockholders on or about April 24, 2019. A copy of the Company's 2018 Annual Report to Stockholders is being mailed with this Proxy Statement but is not to be regarded as proxy solicitation material.

SOLICITATION AND REVOCATION OF PROXY

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of the Company (the "Board") to be used at the Annual Meeting of the holders of the Company's common stock, par value \$0.01 per share, to be held June 6, 2019. The enclosed proxy may be revoked at any time before it is exercised by attending and voting in person at the meeting, by giving written notice of revocation to the Secretary of the Company prior to the taking of the vote for which such proxy has been given, or by delivery to the Secretary of the Company of a duly executed proxy bearing a later date. Notice and delivery shall occur upon actual receipt by the Secretary of the Company at its principal place of business. The cost of soliciting proxies will be borne by the Company. In addition to the use of the mails, proxies may be solicited personally, by telephone, by the directors, officers, and employees of the Company, or by the Company's transfer agent. Directors, officers and other employees of the Company will receive no additional compensation for any such further solicitations. Also, the Company will make arrangements with banks, brokerage houses, and other nominees, fiduciaries, and custodians holding shares in their names or in those of their nominees to forward proxy materials to the beneficial owners of shares, and the Company will, upon request, reimburse such entities for their reasonable expenses in sending the proxy materials. In addition, we have engaged Morrow Sodali LLC to assist in soliciting proxies from brokers, banks and other nominee holders of our common stock at an estimated cost of approximately \$6,500, plus reasonable out-of-pocket expenses.

All properly executed unrevoked proxies received in time for the meeting will be voted as specified. If no other indication is made, the proxies will be voted for the election of directors shown as nominees and as recommended by the Board with regard to all other matters.

VOTING SECURITIES

At the close of business on April 15, 2019, there were 48,224,379 shares of common stock outstanding and entitled to vote at the Annual Meeting. The holders of such shares are entitled to one vote for each share of common stock held by them on any matter to be presented at the Annual Meeting, including the election of directors. Only stockholders of record at the close of business on April 15, 2019 are entitled to vote at the Annual Meeting and any adjournment or postponement thereof.

The presence at the Annual Meeting, in person or by proxy, of a majority of the outstanding shares of the common stock will constitute a quorum.

ABOUT THIS PROXY STATEMENT

In this proxy statement, the terms "we," "our," "us," and "the Company" refer to Western Asset Mortgage Capital Corporation. The Company is externally managed and advised by Western Asset Management Company, which is referred to herein as "our Manager" or "the Manager."

HOUSEHOLDING

In order to reduce printing and postage costs, we have undertaken an initiative to deliver only one copy of the Company's 2018 Annual Report to Stockholders, one copy of the Proxy Statement and one copy of the Notice of Internet Availability of Proxy Materials to multiple stockholders sharing an address. This delivery method, called "householding," will not be used, however, if we receive contrary instructions from one or more of the stockholders sharing an address. If your household has received only one copy of these materials, we will deliver promptly a separate copy of each of the Company's 2018 Annual Report to Stockholders, the Proxy Statement and Notice of Internet Availability of Proxy Materials to any stockholder who sends a written request to the Secretary, Western Asset Mortgage Capital Corporation, 385 East Colorado Boulevard, Pasadena, California 91101. You may also contact our Secretary at (626) 844 9400. You may also notify us that you would like to receive separate copies of the Company's annual report, proxy statement and Notice of Internet Availability of Proxy Materials in the future by writing to our Secretary. Even if your household has received only one copy of the Company's 2018 Annual Report to Stockholders, one copy of the Proxy Statement and one copy of the Notice of Internet Availability of Proxy Materials, a separate proxy card has been provided for each stockholder account. If you are submitting a proxy by mail, each proxy card should be marked, signed, dated and returned in the enclosed self-addressed envelope.

If your household has received multiple copies of the Company's 2018 Annual Report to Stockholders, Proxy Statement and Notice of Internet Availability of Proxy Materials, you can request the delivery of single copies in the future by marking the designated box on the enclosed proxy card.

SPECIAL NOTE TO

STOCKHOLDERS HOLDING SHARES WITH THEIR BROKER

THE NEW YORK STOCK EXCHANGE AND NASDAQ NOW PROHIBIT YOUR BROKER FROM VOTING YOUR SHARES IN ROUTINE ELECTIONS FOR DIRECTORS, FOR MATTERS RELATED TO EXECUTIVE COMPENSATION OR ANY OTHER SIGNIFICANT MATTER, AS DETERMINED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), UNLESS YOU GIVE YOUR BROKER WRITTEN INSTRUCTIONS IN EACH ELECTION ON HOW YOU WANT YOUR SHARES VOTED. YOUR VOTING DESIRES WILL NOT BE COUNTED UNLESS YOU DO THIS.

PROPOSAL 1

ELECTION OF DIRECTORS

Pursuant to the Company's Bylaws, the Board has fixed the number of the Company's directors at six (6). Each director elected at the Annual Meeting shall hold office until his or her respective successor has been elected and qualified, or until such individual's earlier resignation or removal. Vacancies may be filled by a majority vote of the remaining directors then in office.

The Board has selected each of the following persons as a nominee for election by the holders of the Company's common stock as a director at the 2019 Annual Meeting of Stockholders:

Edward D. Fox

James W. Hirschmann III

Ranjit M. Kripalani

M. Christian Mitchell

Jennifer W. Murphy

Richard W. Roll

Experience, Qualifications, Attributes, and Skills

Edward D. Fox has been a member of our Board since May 2012 and is the chairman of our Nominating and Corporate Governance Committee. Mr. Fox has served as chairman and chief executive officer of Vantage Property Investors, LLC, a private real estate investment and development company, since January 2003. Mr. Fox was chairman and chief executive officer of Center Trust, a real estate investment trust, from 1998 to January 2003, when Center Trust was acquired by Pan Pacific Retail Properties. Mr. Fox co-founded and served as the chairman of CommonWealth Partners, a fully integrated real estate operating company, from 1995 through October 2003. Prior to forming CommonWealth Partners, Mr. Fox was a senior partner with Maguire Thomas Partners, a national full service real estate operating company. A certified public accountant, Mr. Fox started his career in public accounting specializing in real estate transactions. Mr. Fox serves on the Dean's advisory council for the USC School of Architecture, is a director of the Orthopaedic Institute for Children and serves on the board of trustees of its foundation. He received a bachelor's degree in accounting and a master's degree in business, both with honors, from the University of Southern California.

The Board believes Mr. Fox is qualified to serve as a director due to the depth of his experience in the real estate industry, his previous management experience in both real estate operating companies and real estate investment trusts and his experience on public and private boards.

James W. Hirschmann III has been the Chairman of the Board since July 2009 (the Company commenced operations in May 2012). He has also served as the chief executive officer of our Manager since 1999. Mr. Hirschmann serves on our Manager's board of directors and chairs our Manager's Executive Committee. Mr. Hirschmann has worked at our Manager since 1989. Mr. Hirschmann also served as the president of our Manager's parent company, Legg Mason, Inc., from May 2006 to April 2007. Mr. Hirschmann received a bachelor of science degree from Widener University.

The Board believes Mr. Hirschmann is qualified to serve as a director because of his experience as chief executive officer and member of the board of directors of our Manager and his depth of experience in the financial and investment management industry.

Ranjit M. Kripalani has been a member of our Board since November 2014 and serves as the Chairman of our Risk Committee. From 2009 to 2013, Mr. Kripalani served as the chief executive officer of CRT, LLC, an institutionally focused broker-dealer. Prior to joining CRT, Mr. Kripalani worked at Countrywide Capital Markets, Inc. and Countrywide Financial Corporation from 1998 to 2008, where he served in a number of roles, including as president of capital markets and executive managing director of Countrywide Financial Corp. and chief executive officer and president of Countrywide Capital Markets from 2000 to 2008. Mr. Kripalani also served as president and chief executive officer of Countrywide Securities Corporation from 2001 to 2008 and was the executive vice president and national sales manager for Countrywide Securities Corporation from 1998 to 2001. Prior to joining Countrywide, Mr. Kripalani served as managing director and head of mortgage trading for Chase Securities, Inc. from 1995 to 1998, and as managing director and head of mortgage trading for PaineWebber, Inc. from 1985 to 1995. He is also a director

for Griffin Capital Essential Asset REIT, an SEC registered non-traded real estate investment trust (real estate investment trusts are hereinafter referred to as "REITs"). Mr. Kripalani has a bachelor of arts degree in

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International Relations from Tufts University and a Graduate Diploma in Business Studies from the London School of Economics.

The Board believes Mr. Kripalani is qualified to serve as a director because he is a longtime executive in the financial industry with significant experience in the investment in and trading of mortgages and mortgage backed securities. M. Christian Mitchell has been a member of our Board since May 2012 and is the Lead Independent Director of the Board and the chairman of our Audit Committee. Mr. Mitchell retired from Deloitte & Touche LLP in 2003, where he was the national managing partner of the mortgage banking and finance companies practice. During his 26 year career at Deloitte, he also served as regional managing partner for various practices including audit, enterprise risk services and financial services. He is a director of Marshall & Stevens, a Los Angeles-based national valuation consulting firm, Pacific Premier Bancorp Inc., an Irvine, California-based bank holding company, Parsons Corporation, a Centreville, Virginia-based engineering, construction, technical and professional services firm and Stearns Holdings, LLC, a national independent mortgage company headquartered in Dallas, Texas. Mr. Mitchell previously served as an adjunct professor of accounting at the University of Redlands and is the chairman emeritus of the National Association of Corporate Directors (NACD), Pacific Southwest, a member of the national board of NACD, and is designated a NACD Board Leadership Fellow. Mr. Mitchell received a bachelor of science degree from the University of Alabama. In 2011 and 2012, Mr. Mitchell was named “one of the 100 most influential people in corporate governance” by Directorship magazine.

The Board believes Mr. Mitchell is qualified to serve as a director because of his extensive experience in the real estate and mortgage industry, his professional and educational background in accounting and finance and his previous experience serving on corporate boards.

Jennifer W. Murphy, CFA, has been a member of our Board and our President and Chief Executive Officer since June 2016. Ms. Murphy joined our Manager in May 2015 as chief operating officer, responsible for the oversight of the firm’s finance, legal and compliance, technology, operations, risk, human resources and corporate communications functions. Ms. Murphy has 30 years of experience in the investment management industry. Prior to joining our Manager, she served as chief administrative officer at Legg Mason, Inc. and between 1986 and 2013, she held a number of senior positions at Legg Mason, Inc. and its equity investment affiliate, Legg Mason Capital Management (LMCM), including her most recent role as LMCM’s chief executive officer and president. Ms. Murphy has an MBA in Finance from the Wharton School, University of Pennsylvania and a bachelor of arts degree in economics from Brown University. She is a Chartered Financial Analyst.

The Board believes Ms. Murphy is qualified to serve as a director because of her role as chief operating officer of our Manager and her depth of experience in the investment management industry.

Richard W. Roll has been a member of our Board since May 2012 and is the chairman of our Compensation Committee. Mr. Roll has been serving as the Linde Institute Professor of Finance at the California Institute of Technology since March 1, 2014 and is also a professor emeritus at the University of California, Los Angeles. Mr. Roll held the Joel Freid Chair in Applied Finance at UCLA where he began teaching in 1976. Mr. Roll is also the principal of the consulting firm Compensation Valuation, Inc., which he founded in 2003. He was the managing director of WP Capital Management, a fixed income investment management firm from 1992 to 1995, and he was co chairman of the board of directors for Roll and Ross Asset Management Corporation, a quantitative investment management firm, from 1985 through 2003. Mr. Roll also served as a vice president at Goldman, Sachs & Co. from 1985 to 1987. Mr. Roll has a bachelor of arts degree in engineering from Auburn University, an MBA from the University of Washington and a PhD from the University of Chicago.

The Board believes Mr. Roll is qualified to serve as a director based on his academic and professional career focusing on investment management and finance and his experience serving on corporate boards.

Vote Required

The affirmative vote of stockholders holding a plurality of the Company’s issued and outstanding common stock in attendance at the meeting, either in person or by proxy, is required to approve this proposal. Abstentions and broker non votes will have no effect.

The Board recommends an affirmative vote FOR the above director nominees.

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It is the intention of the persons named in the accompanying form of proxy to nominate and, unless otherwise directed, vote such proxies for the election of the nominees named above as directors. The Board knows of no reason why any nominee for director would be unable to serve as a director. If any nominee should for any reason become unable to serve, the shares

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represented by all valid proxies will be voted for the election of such other person as the Board may designate, or the Board may reduce the number of directors to eliminate the vacancy.

DIRECTORS AND EXECUTIVE OFFICERS

The names, principal occupation or employment, and ages of each of our directors and executive officers as of April 24, 2019 are listed in the following table:

| Name and Principal Occupation or Employment | Age |
|---|-----|
| Directors | |
| Edward D. Fox, Chairman and Chief Executive Officer of Vantage Property Investors, LLC | 71 |
| James W. Hirschmann III, Chief Executive Officer of our Manager | 58 |
| Ranjit M. Kripalani, Consultant | 59 |
| M. Christian Mitchell, Vice Chairman of Marshall & Stevens Incorporated | 64 |
| Jennifer W. Murphy, President and Chief Executive Officer of the Company and Chief Operating Officer of our Manager | 54 |
| Richard W. Roll, Professor, California Institute of Technology | 79 |
| Executive Officers | |
| Sean O. Johnson, Interim Co-Chief Investment Officer of the Company and portfolio manager in our Manager's structured products group | 52 |
| Dennis J. McNamara, Interim Co-Chief Investment Officer of the Company and director of global portfolio operations at our Manager | 65 |
| Lisa Meyer, Chief Financial Officer and Treasurer of the Company | 54 |
| Elliott Neumayer, Chief Operating Officer of the Company and product specialist and head of mortgage-related business at our Manager | 38 |

Biographies of Directors and Executive Officers

Biographical information for each of our nominees for director is provided under “Proposal No. 1, Election of Directors—Experience, Qualifications, Attributes, and Skills.”

The following individuals serve as our executive officers.

Sean O. Johnson was appointed interim Co-Chief Investment Officer of the Company in January 2019. Mr. Johnson is a portfolio manager in the Manager’s structured products group, focusing on both Agency and Non-Agency mortgage-backed securities (“MBS”) and residential and commercial whole loans. Mr. Johnson joined the Manager in 1995 and prior to that was a portfolio analyst at Pacific Investment Management Company and a Supervisor of Investment Performance at Wilshire Associates, Inc. Mr. Johnson holds a bachelor of science degree from the University of Southern California. He is a Chartered Financial Analyst.

Dennis J. McNamara was appointed interim Co-Chief Investment Officer of the Company in January 2019. Mr. McNamara is the director of global portfolio operations at our Manager and has nearly 40 years of experience in the industry. Prior to joining our Manager in 2001, Mr. McNamara was a Portfolio Manager at Transamerica Investment Services, Senior Vice President and Chief Investment Officer at Fidelity Federal Bank and President and Chief Investment Officer at Kleinwort Benson Capital Management, Inc. Mr. McNamara began his career in 1980 as Manager of Money Markets and Foreign

Exchange Trading at Atlantic Richfield Company. Mr. McNamara holds a bachelor of arts degree as well as an MBA from the University of Chicago. He is a Chartered Financial Analyst.

Lisa Meyer has been our Chief Financial Officer and Treasurer since June 2016 and before that was our Interim Chief Financial Officer beginning in November 2015. From 2011 to November 2015, Ms. Meyer was a Managing Director of FTI, Consulting Inc. (“FTI”) (NYSE: FCN), in the Real Estate Solutions practice where she focused on providing services related to financial reporting, research and interpretation of generally accepted accounting principles and assistance with SEC regulatory matters, primarily to REITs, financial services companies, as well as real estate private equity funds and other real estate operating companies. Ms. Meyer has over 20 years of experience in the real estate and real estate finance industries working with publicly traded mortgage and equity REITs, non-traded REITs, private real estate companies, real estate operators and private equity funds. Prior to joining FTI, from 2005 to 2011 Ms. Meyer served as the chief accounting officer for NorthStar Realty Finance Corp. (NYSE: NRF). During 2011, Ms. Meyer also served as NorthStar’s interim chief financial officer and served as the chief financial officer/chief accounting officer of two, public non-traded REITs, NorthStar Real Estate Income Trust and NorthStar Senior Care Trust. From 1994 to 2005, Ms. Meyer worked for Ernst & Young LLP in the Global Real Estate Group, most recently serving as an Assurance Senior Manager, focusing on complex and specialized accounting and audit issues for a diverse group of publicly traded and privately held real estate and real estate finance clients. Ms. Meyer received a bachelor of arts degree in accounting and economics from the City University of New York - Queens College and she is a Certified Public Accountant in the State of New York.

Elliott Neumayer has been our Chief Operating Officer since October 2015. Mr. Neumayer has also served as a product specialist and head of mortgage-related business efforts at our Manager since October 2015. From May 2014 through October 2015, Mr. Neumayer supported our Manager’s mutual fund business. From July 2007 through May 2014, Mr. Neumayer was a member of our Manager’s product group, where he worked on our Manager’s mortgage-related and mutual fund products. From 2004 through July 2007, Mr. Neumayer was a member of our Manager’s client service department. Mr. Neumayer joined our Manager in 2004 from Marshall & Stevens, where he served as a senior associate. Mr. Neumayer received an MBA and bachelor of arts degree from Loyola Marymount University.

Board Leadership Structure

Our Board leadership structure is currently comprised of: (i) the Chairman of the Board, (ii) the Chief Executive Officer and President of the Company, and (iii) the Lead Independent Director who is “independent” under the rules of the New York Stock Exchange (the “NYSE”).

Four of the six nominees for election to our Board are independent under the rules of the NYSE. Our four independent directors serve as the sole members of our Audit, Compensation and Nominating and Corporate Governance Committees. We have retained our Manager to manage the day-to-day affairs of our business, subject to the supervision and oversight of our Board. Ms. Murphy, our President and Chief Executive Officer, and Mr. Hirschmann, our Chairman of the Board, are executive officers of our Manager. The Board has determined that this combination of experienced senior executives at our Manager, a two thirds majority of independent directors, the designation of a lead independent director and governing committees composed solely of independent directors is the most appropriate governance structure for the Company.

Mr. Hirschmann has served as the Chairman of the Board since 2009. Having been employed by our Manager for over 25 years, Mr. Hirschmann has a breadth of unique and specialized knowledge about our business operations and those of our Manager. In 2014, in light of the Company’s growth and to further enhance the Company’s governance structure, the Board, to complement Mr. Hirschmann’s Chairman position, created the position of Lead Independent Director and appointed M. Christian Mitchell to the position. The Lead Independent Director is responsible for (i) serving as a liaison between the Chairman of the Board and our other directors, (ii) presiding at, and preparing the agenda for, all executive sessions of the independent directors, (iii) working with the Chairman of the Board and members of management to schedule Board meetings, prepare agendas and review with management the adequacy and timing of information provided to the Board, (iv) retaining outside advisors to the Board, if necessary or desirable, and (v) performing such other duties as may be requested by the Chairman or the Board.

In addition, each of the Board's four standing Committees, Audit, Compensation, Nominating and Corporate Governance and Risk, is composed exclusively of independent directors under the NYSE rules. To further facilitate the exercise of independent judgment by the Board, these independent directors meet regularly in executive session without any members of management present.

Board Oversight of Risk

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While our Manager and our executive officers, all of whom are employees of our Manager, are responsible for the day to day management of risk, our Board is responsible for appropriate risk oversight and assisting management in addressing specific risks, such as strategic and competitive risks, financial risks, legal risks, and operational risks. In particular, our Board has established investment guidelines, which have been made a part of the Management Agreement, for our Manager to follow in its day to day management of our business.

The Board has been structured to facilitate oversight of risk by combining Board committees composed entirely of independent directors, a two thirds majority independent Board composition and a Lead Independent Director, with an experienced Chairman of the Board and Chief Executive Officer, each of whom has detailed knowledge of our business, our Manager, and the complex challenges we face. The Chairman of the Board and the Chief Executive Officer's respective in depth understanding of these matters and involvement in the day to day management of the Company positions them to promptly identify and raise key risks to the Board and focus the Board's attention on areas of concern. The Lead Independent Director and the other independent committee chairmen also are experienced professionals or executives who can and do raise issues for Board consideration and review, and are not hesitant to question the Company's management. The Board believes there has been a well functioning and effective balance between the non management directors and the Chairman of the Board and the Chief Executive Officer, which enhances risk oversight. As discussed below in more detail, in 2018 the Board decided to enhance its risk oversight process by creating a Risk Committee of the Board to provide a more focused risk review process

The Board exercises its oversight responsibility for risk both directly and through its four standing committees. The Board and each appropriate committee may spend a portion of their time reviewing and discussing specific risk topics. The full Board is kept informed of each committee's risk oversight and related activities through reports from the committees at full Board meetings and committee meeting minutes available to all directors. Strategic, operational and competitive risks are presented and discussed at the Board's regular quarterly meetings. Periodically, the Board may conduct reviews of our long term strategic plans, which may include reports from members of our or the Manager's senior management on our chief risks and the steps management has taken or will take to mitigate these risks. As needed between Board meetings, our Chairman of the Board and Chief Executive Officer may provide reports to the Board on the critical issues we face and the recent developments in our business, including identified risks. In addition, our interim Co-Chief Investment Officers provide the Board with a formal investment report at each quarterly meeting of the Board along with supplemental telephonic reports on our investment portfolio once a quarter. Since 2016, these reports have been supplemented by presentations by the Manager's Risk Management Department focused primarily on portfolio risk. These discussions provide the Board with an opportunity to ask questions regarding our investment strategy and related portfolio risks.

The Audit Committee is responsible for reviewing our financial accounting risks. The Audit Committee meets regularly with our Chief Financial Officer, other members of senior management, external accounting service providers and our independent auditors to discuss our major financial risk exposures, financial reporting, internal controls, and credit and liquidity risk. The Audit Committee meets regularly in executive session with our independent auditors to facilitate a full and candid discussion of risks and other issues.

The Compensation Committee is responsible for overseeing compensation risk, including evaluating and assessing risks arising from the terms of the Management Agreement, our compensation policies and practices for our employees and ensuring executive compensation is aligned with performance and engaging in an annual overall review of the Manager's services to us. The Compensation Committee is charged with monitoring our equity based compensation plans, including employee benefit plans.

The Nominating and Corporate Governance Committee oversees risk related to our overall governance, including Board and committee composition, Board size and structure, director independence, ethical and business conduct and our corporate governance profile and ratings. The Nominating and Corporate Governance Committee also is engaged in overseeing risks associated with succession planning for the Board and management and conducts an annual assessment of the Board's overall performance and effectiveness.

The Risk Committee is responsible for overseeing the Company's risk governance structure, risk management and risk assessment guidelines and policies and risk tolerance and capital, liquidity and funding. The Risk Committee meets

regularly with members of the Manager's Risk Department.

Director Independence

Our common stock is listed on the NYSE. The NYSE requires that a majority of our directors be "independent," as defined by rules of the NYSE. In determining director independence, the Board reviewed, among other things, whether any transactions or relationships currently exist, or have existed in the past, between each director and the Company and its

subsidiaries, affiliates and equity investors (including, but not limited to, the Manager) or the Company's independent auditors. In particular, the Board reviewed any current or recent business transactions or relationships or other personal relationships between each director and the Company, including such director's immediate family and companies owned or controlled by the director or with which the director was affiliated. The purpose of this review was to determine whether any such transactions or relationships failed to meet any of the objective tests promulgated by the NYSE for determining independence or were otherwise sufficiently material as to be inconsistent with a determination that the director is independent. The Board also examined whether there were any transactions or relationships between each director and members of the senior management of the Company or their affiliates. The Board has affirmatively determined that a majority of its directors are independent directors under NYSE rules. Based on these standards, the Board determined that our independent directors include the following current directors and nominees for director:

Edward D. Fox

Ranjit M. Kripalani

M. Christian Mitchell

Richard W. Roll

Director Attendance at Meetings

The Board met on twelve occasions during 2018. No incumbent director attended fewer than 75 percent of all meetings of our Board and the committees on which such director served during 2018.

Independent Director Meetings in Executive Sessions

Our independent directors meet separately from the other directors in regularly scheduled executive sessions. Any independent director may call an executive session of independent directors at any time. The Lead Independent Director chairs these executive sessions. The independent directors met in executive session on five occasions during 2018.

Board Committees

Our Board has established four standing committees, the Audit, Compensation, Nominating and Corporate Governance and Risk Committees, the principal functions of which are briefly described below. Matters put to a vote at any one of these four committees must be approved by a majority of the directors on the committee who are present at a meeting at which there is a quorum or by unanimous written consent of the directors on that committee. Our Board may from time to time establish certain other committees to facilitate the management of the Company.

Audit Committee

Our Board established an Audit Committee upon the pricing of our initial public offering in May 2012. Messrs. Fox, Kripalani, Mitchell and Roll, each of whom is an independent director of the Company and is "financially literate" under the rules of the NYSE, currently serve on the Audit Committee with Messrs. Fox, Mitchell and Roll serving since May 2012 and Mr. Kripalani serving since November 2014. Mr. Mitchell chairs our Audit Committee and the Board has determined that Mr. Mitchell is a financial expert, as that term is defined by the SEC. During 2018, the Audit Committee met on five occasions.

The Audit Committee assists our Board in overseeing:

- our financial reporting, auditing and internal control activities, including the integrity of our financial statements;
- our compliance with legal and regulatory requirements;
- our independent auditors' qualifications and independence; and
- the performance of our independent auditors.

The Audit Committee is also responsible for engaging our independent auditors, reviewing with our independent auditors the plans and results of the audit engagement, approving professional services provided by our independent auditors, reviewing the independence of our independent auditors, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls.

Compensation Committee

Our Board established a Compensation Committee upon the pricing of our initial public offering in May 2012. Messrs. Fox, Kripalani, Mitchell and Roll, each of whom is an independent director of the Company, currently serve on the

Compensation Committee with Messrs. Fox, Mitchell and Roll serving since May 2012 and Mr. Kripalani serving since November 2014. Mr. Roll chairs our Compensation Committee. During 2018, the Compensation Committee met on three occasions.

The Compensation Committee is responsible for:

annually reviewing and approving the corporate goals and objectives relevant to the compensation we pay to our Manager, evaluating the performance of our Manager in light of such goals and objectives and determining and approving the compensation, if any, we pay to our Manager based on such evaluation;

providing oversight with regard to our Chief Financial Officer's compensation as ultimately determined by our Manager;

overseeing our equity incentive plans, including whether to grant a share award to the Manager; and

determining from time to time the remuneration for our non management directors.

In carrying out these responsibilities, the Compensation Committee may form subcommittees (with a minimum of two members) for any purpose that the Compensation Committee deems appropriate and may delegate to its subcommittees such power and authority as the Compensation Committee deems appropriate, to the extent permitted by applicable laws, regulations and listing standards. As of the date hereof, the Compensation Committee does not have any subcommittees.

In addition, the Compensation Committee's charter provides the committee with sole authority to retain or terminate any compensation consultant to assist it in carrying out its responsibilities, including sole authority to approve the consultant's fees and other retention terms. For 2018, the Compensation Committee did not engage a compensation consultant to determine the compensation of its executive officers.

Nominating and Corporate Governance Committee

Our Board established a Nominating and Corporate Governance Committee upon the pricing of our initial public offering in May 2012. Messrs. Fox, Kripalani, Mitchell and Roll, each of whom is an independent director of the Company, currently serve on the Nominating and Corporate Governance Committee with Messrs. Fox, Mitchell and Roll serving since May 2012 and Mr. Kripalani serving since November 2014. Mr. Fox chairs our Nominating and Corporate Governance Committee. During 2018, the Nominating and Corporate Governance Committee met on four occasions.

The Nominating and Corporate Governance Committee is responsible for:

providing counsel to our Board with respect to the organization, function and composition of our Board and its committees;

overseeing the self evaluation of our Board and our Board's evaluation of management;

periodically reviewing and, if appropriate, recommending to our Board changes to our corporate governance policies and procedures; and

- identifying and recommending to the Board potential director candidates for nomination.

Risk Committee

Our Board established a Risk Committee in March 2018. Messrs. Fox, Kripalani, Mitchell and Roll, each of whom is an independent director of the Company, currently serve on the Risk Committee with all serving since the Risk Committee's formation in March 2018. Mr. Kripalani chairs our Risk Committee. During 2018, the Risk Committee met on three occasions.

The Risk Committee is responsible for providing oversight of the following areas:

the Company's risk governance structure and its risk management and risk assessment guidelines and policies;

the Company's investment policies with respect to the risk exposures associated with the types of assets that the Company invests in; and

- significant risk exposures and the actions management has taken to limit, monitor or control such exposures, including guidelines and policies with respect to assessment of risk and risk management.

In addition, the Risk Committee also assists the Board in its oversight of the Company's risk tolerance and capital, liquidity and funding.

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Committee Charters

A copy of the charters of each of the Audit, Compensation, Nominating and Corporate Governance and Risk Committees is available on the Company's corporate website at <http://www.westernassetmcc.com> and may also be obtained upon request without charge by writing to the Company's Secretary, 385 East Colorado Boulevard, Pasadena, California 91101.

Corporate Governance Principles

We are committed to good corporate governance practices and, as such, we have adopted formal corporate governance principles to enhance our effectiveness. The principles address, among other things, board member qualifications, responsibilities, education and management succession. A copy of our corporate governance principles may be found at the Company's corporate website at <http://www.westernassetmcc.com> under the heading "Investor Relations—Governance Documents."

Code of Conduct

Our Board has established a code of conduct that applies to our directors, officers and employees. Our Manager also maintains a code of ethics to which its officers and directors are subject. Any such director, officer or employee who is also subject to our Manager's code of ethics will, in the event of a conflict in policy, be held to the more restrictive provision. Among other matters, our code of conduct is designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with applicable governmental laws, rules and regulations;
- prompt internal reporting of violations of the code of conduct to appropriate persons identified in the code of conduct; and
- accountability for adherence to the code of conduct.

Waivers of any provisions of the code of conduct may be granted in writing by our Chief Executive Officer, except that any waiver sought by one of our directors or executive officers may be granted only by the Nominating and Corporate Governance Committee. In considering any request for a waiver, the Chief Executive Officer will consult with appropriate senior management, the Manager's legal and compliance department and/or external legal advisors, as appropriate under the circumstances. Any changes to or waivers of the code of conduct will, to the extent required, be disclosed as required by applicable rules and regulations of the SEC and the NYSE. A copy of our code of conduct may be found at the Company's corporate website at <http://www.westernassetmcc.com> under the heading "Investor Relations—Governance Documents."

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires our directors, officers and certain stockholders to file with the SEC an initial statement of beneficial ownership and certain statements of changes in beneficial ownership of our equity. Based solely on our review of such forms received by us, we are unaware of any instances of noncompliance, or late compliance, with such filings during the fiscal year ended December 31, 2018.

Stockholder Communications with Directors

The Board has established a process to receive communications from stockholders and other interested parties. Interested parties and stockholders may contact any or all members of the Board, including non management directors, by mail. To communicate with the Board, any individual director or any group or committee of directors, correspondence should be addressed to the Board or any such individual director or group or committee of directors by either name or title. All such correspondence should be sent in care of the Secretary at Western Asset Mortgage Capital Corporation, 385 East Colorado Boulevard, Pasadena, California 91101.

All communications received as set forth in the preceding paragraph will be opened by the office of the Company's Secretary for the sole purpose of determining whether the contents represent a message to our directors. Any contents that are not in the nature of advertising, promotions of a product or service or patently offensive material will be forwarded promptly to the addressee. In the case of communications to the Board or any group or committee of

directors, the office of the Secretary will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the correspondence is addressed.

Director Attendance at Annual Meetings of Stockholders

We encourage all incumbent directors, as well as all director nominees, to attend the Annual Meeting of Stockholders. Of the Company's incumbent directors in 2018, Mr. Mitchell attended the 2018 Annual Meeting of Stockholders.

Director Nomination Procedures