



B #:	0032-14
Date:	01/09/2014
To:	All Participants
Category:	Dividends
From:	Supervisor, Stock Dividend Department
Attention:	Dividend Managers, Cashiers, and Reorganization Managers
Subject:	Optional Dividend: Western Asset Mortgage Capital Corporation CUSIP: 95790D105 Rate: \$2.35 per share R/D: 12/30/2013 P/D: 01/28/2014 DTC EDS Cut-Off: 01/16/2014 8:00 P.M., New York time

*****WARNING TIME CRITICAL*****

Western Asset Mortgage Capital Corporation has declared a fourth quarter/year-end dividend distribution of \$2.35 for each common share payable in a combination of cash and stock. The distribution is payable to stockholders of record at the close of business on 12/30/2013.

Option #1(Stock): Shareholders may elect to receive newly issued shares of Western Asset Mortgage Capital Corporation at \$2.35 per common share. Fractional shares will be paid in cash at participant level.

Option #2(Cash and Stock): You may elect to receive cash. (Default)

If the cash election is oversubscribed, each stockholder electing cash will receive a pro rata cash amount of no less than \$0.80 per share with the balance payable in stock. The expected cash portion of the dividend may be viewed as comparable to the Company's regular quarterly dividend. The stock portion of the dividend is being paid by the Company in order for the Company to reduce its undistributed taxable income from 2013 and satisfy the REIT distribution requirements.

The amount of shares you receive will be calculated based on the average closing price of our common stock for the three day period from January 21 to January 23, 2014.

THE DIVIDEND POSITION AND ALLOCATION HISTORY (DPAL) OPTION, ACCESSED VIA THE PTS DIVIDEND ANNOUNCEMENTS INQUIRY FUNCTION (DIVA), SHOULD BE USED TO CONFIRM YOUR RECORD DATE POSITION HISTORY.

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PARTICIPANTS SHOULD SUBMIT ELECTION INSTRUCTIONS OVER THE PARTICIPANT TERMINAL SYSTEM (PTS) THROUGH THE ELECTIVE DIVIDEND SYSTEM (EDS) FUNCTION.

Participants not responding to the above options by **01/16/2014 8:00 P.M., New York time** will receive the dividend in the form of cash subject to proration. **Option #2 (Default)**

To confirm record date history and payment information, participants should access the Dividend and Allocation History (DPAL) Menu Option, via the PTS Dividend Announcements Inquiry function (DIVA).

If there are any questions regarding this Important Notice, or the processing of related instructions via EDS, participants should contact DTC's Customer Help Line at (888) 382-2721.

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