

Western Asset Mortgage Capital Corp
Form 10-Q
November 14, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended September 30, 2013

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number: 001-35543

Western Asset Mortgage Capital Corporation

(Exact name of Registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

27-0298092
(IRS Employer
Identification Number)

Western Asset Mortgage Capital Corporation

385 East Colorado Boulevard

Pasadena, California 91101

(Address of Registrant's principal executive offices)

(626) 844-9400

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one).

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 under the Securities Exchange Act of 1934). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

As of November 14, 2013, there were 24,304,503 shares, par value \$0.01, of the registrant's common stock issued and outstanding.

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Table of Contents**Western Asset Mortgage Capital Corporation****Balance Sheets (Unaudited)****(in thousands except share and per share data)**

	September 30, 2013	December 31, 2012
Assets:		
Cash and cash equivalents	\$ 39,369	\$ 56,292
Mortgage-backed securities, at fair value (\$3,495,183 and \$5,043,824 pledged as collateral, at fair value, respectively)	3,562,352	5,212,581
Investment related receivables (\$139,126 and \$0 pledged as collateral, at fair value, respectively)	147,540	
Accrued interest receivable	13,389	17,361
Due from counterparties	44,116	54,142
Derivative assets, at fair value	61,831	24,344
Other assets	534	244
Total Assets	\$ 3,869,131	\$ 5,364,964
Liabilities and Stockholders' Equity:		
Liabilities:		
Borrowings under repurchase agreements	\$ 3,308,870	\$ 4,794,730
Accrued interest payable	7,121	6,561
Investment related payables	48,512	
Due to counterparties	61,598	
Derivative liabilities, at fair value	9,102	4,771
Cash overdraft payable		5,666
Accounts payable and accrued expenses	1,476	988
Underwriting and offering costs payable	8	75
Payable to related party	2,032	1,924
Dividends payable	21,883	27,041
Total Liabilities	3,460,602	4,841,756
Commitments and contingencies		
Stockholders' Equity:		
Common stock, \$0.01 par value, 500,000,000 shares authorized, 24,304,503 and 24,143,944 shares issued and outstanding, respectively	243	241
Preferred stock, \$0.01 par value, 100,000,000 shares authorized and no shares outstanding		
Additional paid-in capital	506,229	505,454
Retained earnings (accumulated deficit)	(97,943)	17,513
Total Stockholders' Equity	408,529	523,208
Total Liabilities and Stockholders' Equity	\$ 3,869,131	\$ 5,364,964

See notes to unaudited financial statements.

Table of Contents**Western Asset Mortgage Capital Corporation****Statement of Operations (Unaudited)**

(in thousands except share and per share data)

	For the three months ended September 30, 2013	For the three months ended September 30, 2012 as Revised (See Note 2)	For the nine months ended September 30, 2013	For the period from May 15, 2012 (commencement of operations) through September 30, 2012, as Revised (See Note 2)
Net Interest Income:				
Interest income	\$ 30,654	\$ 12,987	\$ 97,146	\$ 20,070
Interest expense	4,273	1,935	13,976	2,660
Net Interest Income	26,381	11,052	83,170	17,410
Other Income (Loss):				
Interest income on cash balances and other income	11	2	56	2
Realized gain (loss) on sale of Mortgage-backed securities and other securities, net	(46,142)	6,635	(63,885)	7,792
Other loss on Mortgage-backed securities	(2,363)	(1,352)	(8,164)	(1,439)
Unrealized gain (loss) on Mortgage-backed securities and other securities, net	37,528	26,225	(173,517)	29,208
Gain (loss) on linked transactions, net	(547)		3,958	