

LEGG MASON INC
Form DEF 14A
June 18, 2004
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934
(AMENDMENT NO.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

LEGG MASON, INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
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 - (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:

Notes:

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100 Light Street

Baltimore, Maryland 21202

June 18, 2004

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders which will be held at The Center Club, 100 Light Street, 16th Floor, Baltimore, Maryland at 10:00 a.m. on Tuesday, July 20, 2004. On the following pages you will find the Notice of Annual Meeting and Proxy Statement.

Whether or not you plan to attend the meeting, it is important that your shares be represented and voted at the meeting. Accordingly, I encourage you to sign, date and return the enclosed proxy card promptly.

I hope that you will attend the meeting, and I look forward to seeing you there.

Sincerely,

RAYMOND A. MASON

Chairman of the Board, President and Chief Executive Officer

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LEGG MASON, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Tuesday, July 20, 2004

To the Stockholders of

LEGG MASON, INC.:

The Annual Meeting of Stockholders of Legg Mason, Inc., a Maryland corporation, will be held at The Center Club, 100 Light Street, 16th Floor, Baltimore, Maryland, on Tuesday, July 20, 2004 at 10:00 a.m. to consider and vote upon:

- (1) The election of five directors for the three-year term ending in 2007;
- (2) Amendment of the Legg Mason, Inc. 1996 Equity Incentive Plan;
- (3) Amendment of the Legg Mason, Inc. Stock Option Plan for Non-Employee Directors; and
- (4) Any other matter that may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on May 21, 2004 as the date for determining stockholders of record entitled to notice of and to vote at the Annual Meeting.

Your attention is directed to the accompanying Proxy Statement and 2004 Annual Report to Stockholders.

By order of the Board of Directors

ROBERT F. PRICE

Secretary

June 18, 2004

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LEGG MASON, INC.

PROXY STATEMENT

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LEGG MASON, INC.

100 Light Street

Baltimore, Maryland 21202

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

Tuesday, July 20, 2004

The enclosed proxy is solicited by the Board of Directors of Legg Mason, Inc. (**Legg Mason**) and may be revoked by the stockholder at any time before it is exercised. Legg Mason will bear the cost of soliciting proxies. Proxies will be solicited by mail and may be solicited by Legg Mason's officers, directors and employees personally, by telephone or by any other means of communication. Legg Mason may reimburse brokers, banks, custodians, nominees and other fiduciaries for their reasonable out-of-pocket expenses in forwarding proxy materials to their principals. Legg Mason is sending this proxy material to stockholders on or about June 18, 2004.

Stockholders of record at the close of business on May 21, 2004 are entitled to notice of and to vote at the meeting. As of the close of business on that date, there were outstanding and entitled to vote (i) 66,804,704 shares of Common Stock, \$.10 par value (**Common Stock**), of Legg Mason, each of which is entitled to one vote and (ii) 1,931,667 Exchangeable Shares, no par value (**Exchangeable Shares**), of a Canadian subsidiary of Legg Mason, each of which is exchangeable into, and has voting rights identical to, one share of Common Stock. Holders of Common Stock and Exchangeable Shares vote together as a single class.

Directors are elected by a plurality of the votes cast by the holders of shares of Common Stock and Exchangeable Shares present in person or represented by proxy at the meeting, with a quorum present. Abstentions and broker non-votes do not affect the plurality vote for the election of directors. The affirmative vote of a majority of the votes cast on each proposal is required for approval of the amendment of the Legg Mason, Inc. 1996 Equity Incentive Plan and the amendment of the Legg Mason, Inc. Stock Option Plan for Non-Employee Directors, provided that the total votes cast on each proposal represent over 50% in interest of all securities entitled to vote on the proposal. If holders of more than 50% in interest of all securities entitled to vote on the proposal cast votes, abstentions and broker non-votes will not have any effect on the result of the vote. On the other hand, if holders of less than 50% in interest of all securities entitled to vote on the proposal cast votes, abstentions and broker non-votes will have the effect of a vote against each proposal.

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ELECTION OF DIRECTORS

Legg Mason's Board of Directors is divided into three classes. Each year one class is elected to serve for a term of three years. The stockholders will vote at this Annual Meeting for the election of five directors for the three-year term expiring at the Annual Meeting of Stockholders in 2007.

All nominees presently serve as directors. Margaret Milner Richardson was elected as a director by the Board of Directors in October 2003 to fill a vacancy on the Board. Ms. Richardson's candidacy as a director was recommended by a non-management director.

The persons named in the enclosed proxy will vote for the election of the nominees named below unless authority to vote is withheld. In the event any nominee is unable to serve, the persons named in the proxy may vote for a substitute nominee that they, in their discretion, shall determine. The Board of Directors has no reason to believe that any nominee will be unable to serve.

Nominees for Director for the Term Expiring in 2007

Harold L. Adams, age 65, has been a director of Legg Mason since January 1988. He has been the Chairman Emeritus of RTKL Associates, Inc., an international architecture, engineering and planning firm, since April 2003. Previously, he served as Chairman and Chief Executive Officer of that firm from 1987 through April 2003, and as President of that firm from 1969 through April 2000. He is a director of Lincoln Electric Holdings, Inc. and Commercial Metals Company.

James W. Brinkley, age 67, has been a director of Legg Mason since its formation in 1981 and has served as a Senior Executive Vice President of Legg Mason since December 1983. Mr. Brinkley became Chairman of Legg Mason Wood Walker, Incorporated (LMWW), Legg Mason's principal brokerage subsidiary, in February 2004. He previously served as LMWW's Vice Chairman and Chief Executive Officer from July 2003 through February 2004, as its President from 1985 until July 2003 and as its Chief Operating Officer from February 1998 until July 2003.

Raymond A. Mason, age 67, has been Chairman of the Board, President and Chief Executive Officer of Legg Mason since its formation in 1981. He also served as Chairman and Chief Executive Officer of LMWW from 1975 until February 2004.

Margaret Milner Richardson, age 61, has been a director of Legg Mason since November 2003. She is currently engaged in private consulting and investment activities. Ms. Richardson was a partner of Ernst & Young LLP, an international accounting and auditing firm, from 1997 until June 2003. From 1993 to 1997, she served as the United States Commissioner of Internal Revenue.

Kurt L. Schmoke, age 54, has been a director of Legg Mason since January 2002. He has been Dean of the School of Law at Howard University since January 2003. From December 1999 through January 2003, he was a partner in the law firm of Wilmer, Cutler & Pickering. From December 1987 through December 1999, he was Mayor of the City of Baltimore. He is a director of the McGraw-Hill Companies.

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Directors Continuing in Office

Directors whose terms will expire in 2005

Dennis R. Beresford, age 65, has been a director of Legg Mason since September 2002. He is currently a professor at the University of Georgia, a position he has held since 1997, and was Chairman of the Financial Accounting Standards Board from 1987 to 1997. Mr. Beresford is a director of Kimberly-Clark Corporation and MCI, Inc.

Richard J. Himelfarb, age 62, has been a director of Legg Mason since November 1983. He has served as Senior Executive Vice President of Legg Mason and LMWW since July 1995. He is responsible for supervising the corporate and real estate finance activities of Legg Mason.

Edward I. O'Brien, age 75, has been a director of Legg Mason since February 1993. He is engaged in private investment activities. He has served in an advisory capacity to certain entities in the securities business, having served as a consultant to the Securities Industry Association from December 1992 to November 1993, and as its President from 1974 to December 1992. Mr. O'Brien is a director of a number of mutual funds in the Neuberger & Berman mutual fund complex.

Nicholas J. St. George, age 65, has been a director of Legg Mason since July 1983. He is engaged in private investment activities. He was the Chief Executive Officer of Oakwood Homes Corporation, a manufacturer and retailer of manufactured homes, from 1979 to 1999.

Roger W. Schipke, age 67, has been a director of Legg Mason since January 1991. He has been an executive in residence of the University of Louisville, School of Business and Public Administration since September 2002 and an adjunct professor at the University of Kentucky, Gatton College of Business and Economics since January 2003. Prior to September 2002, Mr. Schipke was engaged in private investment activities. Mr. Schipke is a director of Brunswick Corporation and the Rouse Company.

Directors whose terms will expire in 2006

Carl Bildt, age 54, has been a director of Legg Mason since September 2002. Mr. Bildt holds advisory positions in numerous international organizations, including the Centre for European Reform and the Aspen Institute Italia, and is trustee of the RAND Corporation. He served as the High Representative for peace negotiations in Bosnia and Herzegovina and as the UN Special Envoy for the Balkans from May 1999 through July 2001. Mr. Bildt served as Prime Minister of Sweden from 1991 to 1994.

Harry M. Ford, Jr., age 71, has been a director of Legg Mason since its formation in 1981 and has served as a Senior Vice President of Legg Mason since May 1982. Mr. Ford's principal occupation is as a Financial Advisor with LMWW.

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John E. Koerner, III, age 61, has been a director of Legg Mason since October 1990. Since August 1995, he has been the managing member of Koerner Capital, LLC, a private investment company, or the President of its predecessor, Koerner Capital Corporation.

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Peter F. O Malley, age 65, has been a director of Legg Mason since April 1992. He has been Of Counsel to the law firm of O Malley, Miles, Nylan & Gilmore, P.A. and its predecessor, O Malley & Miles, since 1989. Mr. O Malley currently serves as the President of Aberdeen Creek Corp., a privately-held company engaged in investment, business consulting and development activities, and is a director of Potomac Electric Power Company, FTI Consulting and Legg Mason Trust, fsb, a wholly owned subsidiary of Legg Mason.

James E. Ukrop, age 66, has been a director of Legg Mason since January 1985. Since 1997, he has been the Chairman of the Board of Ukrop Super Markets, Inc., which operates a chain of supermarkets in Virginia, and was President and Chief Executive Officer of that company from 1975 to 1997. Mr. Ukrop is a director of Owens & Minor, Inc. and Chairman of First Market Bank.

Committees of the Board Board Meetings

The Board of Directors has an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. The current charters for each of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, as approved by the Board of Directors, are on Legg Mason's corporate website at www.leggmason.com under the Inside Legg Mason Investor Relations section, and the charter for the Audit Committee is also attached to this Proxy Statement as Exhibit A. Legg Mason will provide a copy of these charters without charge to each stockholder upon written request. Requests for copies should be addressed to the Corporate Secretary, Legg Mason, Inc., 100 Light Street, Baltimore, Maryland 21202.

During the fiscal year ended March 31, 2004, the Board of Directors met four times, the Audit Committee met six times, the Compensation Committee met six times and the Nominating and Corporate Governance Committee met five times. Directors are expected to attend annual meetings of stockholders, and all directors who were on the Board at the time attended Legg Mason's 2003 annual meeting of stockholders.

Audit Committee. The Audit Committee consists of Messrs. Beresford (Chairman), O'Brien and Schipke and is primarily concerned with oversight of Legg Mason's financial accounting and reporting to stockholders. Its duties include:

- selecting and compensating independent accountants;
- providing oversight of the work of the independent accountants and reviewing the scope and results of the audits conducted by them;
- reviewing the activities of Legg Mason's internal auditors;
- discussing with independent accountants, internal auditors and management the organization and scope of Legg Mason's internal system of accounting and financial controls; and
- reviewing and discussing certain matters that may have a material impact on Legg Mason's financial statements, including litigation and legal matters and accounting accruals and estimates.

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The Board of Directors has determined that Mr. Beresford qualifies as an audit committee financial expert as defined by the Securities and Exchange Commission (SEC). Further, the Board of Directors has determined that all members of the Audit Committee are independent as defined in the New York Stock Exchange listing standards and the applicable SEC rules.

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Compensation Committee. The Compensation Committee consists of Messrs. Koerner (Chairman), Adams and Ukrop, and, among other things, is responsible for determining the compensation of the chief executive officer (subject to the approval of Legg Mason's independent directors), determining the compensation of the four other most highly compensated senior executive officers and recommending to the Board of Directors the compensation to be paid to non-employee directors. The Compensation Committee also serves as the administrative committee of certain of Legg Mason's employee benefit plans.

The Board of Directors has determined that all of the members of the Compensation Committee are independent as defined in the New York Stock Exchange listing standards.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee consists of Messrs. St. George (Chairman), Bildt and Schmoke, and is responsible for identifying qualified director nominees, evaluating directors and committee members and developing and recommending to the Board of Directors corporate governance principles and a corporate code of conduct.

The Board of Directors has determined that all of the members of the Nominating and Corporate Governance Committee are independent as defined in the New York Stock Exchange listing standards.

Compensation of Directors

Directors who are not employees of Legg Mason receive:

- an annual retainer of \$25,000 (which was increased from \$20,000 in April 2004);
- a fee of \$4,000 for each Board meeting attended; and
- reimbursement of expenses for attendance at meetings.

In addition, committee members receive a fee of \$2,500 for each committee meeting attended, the chairman of the Audit Committee receives an additional annual retainer of \$10,000 (which was increased from \$5,000 in April 2004) and the chairman of each other committee receives an additional annual retainer of \$5,000. The Lead Independent Director also receives an additional annual retainer of \$10,000.

Under the terms of the Legg Mason, Inc. Stock Option Plan for Non-Employee Directors, Legg Mason grants each non-employee director options to purchase 6,000 shares of Common Stock

- on the date he or she is first elected as a director; and

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- on the date of each subsequent Annual Meeting of Stockholders.

All options have an exercise price equal to the fair market value of the Common Stock on the grant date. The options are exercisable immediately upon the grant date and have a ten-year term, subject to earlier termination in the event the recipient ceases to be a director of Legg Mason. During the fiscal year ended March 31, 2004, each of the non-employee directors received an option to purchase 6,000 shares of Common Stock. This stock option plan covers an aggregate of 1,100,000 shares of Common Stock.

This stock option plan has been amended, subject to stockholder approval at this Annual Meeting, to (i) decrease the number of shares of Common Stock that may be acquired under each future option grant from 6,000 shares to 3,000 shares, (ii) reduce the term of options from 10 to 8 years and (iii) clarify that the number of shares that may be acquired under future option grants will be adjusted to reflect all future stock splits and other similar transactions. This amendment, if approved by stockholders, will apply to all options granted on or after the date of this Annual Meeting. See Proposed Amendment of Non-Employee Director Stock Option Plan.

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CORPORATE GOVERNANCE

Corporate Governance Principles

Upon the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has adopted Corporate Governance Principles for Legg Mason. These Corporate Governance Principles address, among other things, the following key corporate governance topics: director qualification standards; director responsibilities; director access to management and, as necessary and appropriate, independent advisers; director compensation; director orientation and continuing education; management succession; and an annual performance evaluation of the Board of Directors. A copy of the Corporate Governance Principles is available on the Legg Mason corporate website at www.leggmason.com under the Inside Legg Mason Investor Relations section.

Code of Conduct

Upon the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has adopted a corporate Code of Conduct for Legg Mason that applies to all directors, officers and employees of Legg Mason and its subsidiaries. A copy of the Code of Conduct is available on the Legg Mason corporate website at www.leggmason.com under the Inside Legg Mason Investor Relations section. Legg Mason intends to satisfy any disclosure requirement regarding any amendment to, or waiver from, the Code of Conduct by posting the information on its corporate website.

Independent Directors

The Board of Directors has considered the independence of members of the Board who are not employed by Legg Mason and has concluded that Ms. Richardson and Messrs. Adams, Beresford, Bildt, Koerner, O'Brien, O'Malley, St. George, Schipke, Schmoke, and Ukrop qualify as independent directors under the standards promulgated by the New York Stock Exchange. In reaching this conclusion, the Board of Directors considered the relationships of each of those individuals with Legg Mason and determined that the relationships are not material and will not interfere with the individuals' exercise of independent judgment in carrying out their responsibilities as directors. The Board of Directors also considered whether any of the individuals failed to satisfy the enumerated standards set out by the New York Stock Exchange.

The Board of Directors concluded that Messrs. Beresford, Bildt, Koerner, O'Brien, St. George, Schipke and Ukrop had no relationships with Legg Mason, other than their positions as directors, brokerage accounts they maintain at LMWW in the ordinary course of business and investments in funds sponsored by Legg Mason that are on the same terms as those of other investors in the funds. For the remaining independent directors, the Board of Directors considered the relationships discussed below and determined that they are not material:

- Mr. Adams' son is an employee of LMWW; however, he is not an executive officer of Legg Mason. Mr. Adams is also Chairman Emeritus, and was President, Chairman and Chief Executive Officer, of RTKL Associates, Inc., which from time to time has performed services for Legg Mason and received customary compensation for those services;
- Mr. O'Malley serves as a director of Legg Mason's subsidiary, Legg Mason Trust, fsb, and his son is employed as a financial advisor at LMWW; however, his son is not an executive officer of Legg Mason. His son's compensation varies from year to year based on

his production and is determined by the same formula utilized to determine the compensation of other financial advisors;

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- Ms. Richardson, until June 2003, was a partner at the accounting firm of Ernst & Young LLP, which performs a limited number of consulting engagements for Legg Mason and is the auditor for a few mutual funds sponsored by Legg Mason; however, Ms. Richardson had no involvement in any of the relationships; and
- Mr. Schmoke, until January 2003, was a partner at the law firm of Wilmer, Cutler & Pickering, which has been engaged to perform legal services for Legg Mason from time to time and has received customary fees for those engagements; however, Mr. Schmoke had no involvement in any of the engagements.

Director Nomination Process

The Nominating and Corporate Governance Committee will consider all qualified candidates for seats on the Board of Directors identified by members of the Committee, by other members of the Board of Directors, by Legg Mason management and by stockholders. Stockholders who would like to propose a director candidate for consideration by the Nominating and Corporate Governance Committee may do so by submitting the candidate's name, resume and biographical information to the attention of the Corporate Secretary, Legg Mason, Inc., 100 Light Street, Baltimore, Maryland 21202. The recommending stockholder should also submit evidence of the stockholder's ownership of shares of Legg Mason Common Stock, including the number of shares owned and the length of time of ownership. All proposals for nomination received by the Corporate Secretary will be presented to the Nominating and Corporate Governance Committee for its consideration. For a recommendation to be considered in determining nominees for a particular annual meeting of stockholders, the recommendation must be received by January 10 of the year in which the meeting is to occur. The Nominating and Corporate Governance Committee will follow the same process and use the same criteria for evaluating candidates proposed by members of the Committee, other members of the Board of Directors, members of Legg Mason management and stockholders.

The Board of Directors has set out minimum qualification requirements for director nominees in Legg Mason's Corporate Governance Principles. These requirements are that directors are expected to possess a broad range of skills, expertise, industry or other knowledge and business or other experience that will be useful to Legg Mason. The Nominating and Corporate Governance Committee will review each candidate's biographical information and determine whether the candidate meets these minimum qualification requirements.

After the Nominating and Corporate Governance Committee has determined that a candidate meets the minimum qualification requirements, the Committee will determine whether to nominate the candidate to the Board of Directors. In making this determination, the Nominating and Corporate Governance Committee will consider a number of factors, including:

- the current size of the Board of Directors, and whether vacancies on the Board are anticipated;
- the candidate's judgment, character, expertise, skill, knowledge, experience and collegiality;
- the overall diversity of perspectives, backgrounds and experiences of the current directors;
- whether the candidate has special skills, expertise or a background that add to and complement the range of skills, expertise and background of the existing directors; and
- whether the candidate will be able to devote sufficient time and energy to the performance of his or her duties as a director.

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Application of these factors involves the exercise of judgment and cannot be measured in any mathematical or formulaic way.

Executive Sessions

Executive sessions of non-management directors are held in conjunction with each regular Board meeting. Legg Mason's independent directors annually elect a Lead Independent Director to chair these executive sessions. Nicholas J. St. George currently serves as the Lead Independent Director.

Communications

Stockholders who wish to communicate with the Board of Directors, the Lead Independent Director or the non-management directors as a group may do so by addressing their written correspondence to the director or directors, c/o Corporate Secretary, Legg Mason, Inc., 100 Light Street, Baltimore, Maryland 21202. Legg Mason's Corporate Secretary will forward all correspondence received from stockholders to the director or directors to whom it is addressed.

The Audit Committee has developed procedures for receiving and handling complaints or concerns about Legg Mason's financial statements or internal controls or other financial or accounting matters. Any such complaints or concerns should be sent by mail to the Chairman of the Audit Committee, c/o Legg Mason, Inc., 100 Light Street, Baltimore, Maryland 21202.

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The following table sets forth information regarding the ownership of Common Stock of Legg Mason as of May 21, 2004 by each director, each executive officer named in the Summary Compensation Table, all executive officers and directors as a group, and each person who, to the best of Legg Mason's knowledge, beneficially owned more than five percent of Legg Mason's outstanding Common Stock.

<u>NAME OF OWNER</u>	<u>COMMON STOCK BENEFICIALLY OWNED (1)(2)</u>	<u>PERCENT OF OUTSTANDING COMMON STOCK (2)(3)</u>
Raymond A. Mason	2,012,383(4)	3.00%
James W. Brinkley	736,844(5)	1.10%
Richard J. Himelfarb	247,925(6)	*
James E. Ukrop	139,614	*
Timothy C. Scheve	137,422(7)	*
Harry M. Ford, Jr.	135,949	*
Peter F. O. Malley	86,384	*
Harold L. Adams	80,518	*
Edward I. O'Brien	72,260	*
John E. Koerner, III	71,390(8)	*
Nicholas J. St. George	70,664	*
Roger W. Schipke	54,186(9)	*
Peter L. Bain	39,532(10)	*
Mark R. Fetting	37,182(11)	*
Kurt L. Schmoke	18,000	*
Dennis R. Beresford	13,500	*
Carl Bildt	12,000	*
Margaret Milner Richardson	6,000	*
All executive officers and directors as a group (26 persons)	4,699,914	6.91%

* Less than 1%.

- (1) Except as otherwise indicated and except for shares held by members of an individual's family or in trust, all shares are held with sole dispositive and voting power.
- (2) Includes the following number of shares subject to options exercisable within 60 days from May 21, 2004: Mr. Mason 355,906; Mr. Brinkley 51,200; Mr. Himelfarb 42,400; Mr. Ukrop 51,996; Mr. Scheve 45,841; Mr. Ford 25,746; Mr. O. Malley 51,996; Mr. Adams 51,996; Mr. O'Brien 57,328; Mr. Koerner 51,996; Mr. St. George 41,332; Mr. Schipke 36,000; Mr. Bain 27,800; Mr. Fetting 27,800; Mr. Schmoke 18,000; Mr. Beresford 12,000; Mr. Bildt 12,000; Ms. Richardson 6,000 and all executive officers and directors as a group 1,185,772. For purposes of determining the percentage of outstanding Common Stock for any person on the table, these options held by that person are assumed to have been exercised.
- (3) For purposes of determining percentages of outstanding Common Stock, Exchangeable Shares are not included because none are beneficially owned by any director or executive officer.
- (4) Does not include 12,050 shares owned by Mr. Mason's wife, as to which Mr. Mason disclaims beneficial ownership. Does not include 300 shares that are held in trusts for Mr. Mason's children, as to which Mr. Mason disclaims beneficial ownership.
- (5) Excludes 7,332 shares owned by a charitable foundation of which Mr. Brinkley is co-trustee.
- (6) Includes 2,697 shares of restricted stock as to which Mr. Himelfarb has voting power, but which are subject to vesting and transfer restrictions.

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- (7) Includes 4,904 shares of restricted stock as to which Mr. Scheve has voting power, but which are subject to vesting and transfer restrictions.
- (8) Includes 2,400 shares owned by Mr. Koerner's children.
- (9) Includes 1,000 shares held in trust of which Mr. Schipke is trustee.
- (10) Includes 4,505 shares of restricted stock as to which Mr. Bain has voting power, but which are subject to vesting and transfer restrictions.
- (11) Includes 4,588 shares of restricted stock as to which Mr. Fetting has voting power, but which are subject to vesting and transfer restrictions.

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The following table provides information concerning compensation for the past three fiscal years of Legg Mason's Chief Executive Officer and each of the four other most highly compensated executive officers.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation		
		Salary	Bonus(1)	Other Annual Compensation	Restricted		
					Stock Awards(2)	Options Granted(#)	All Other Compensation(3)
Raymond A. Mason	2004	\$422,917	\$7,100,000(4)	\$7,807			\$12,928
Chairman of the Board,	2003	394,171	7,244,688(4)	6,497		20,000	16,629
President and Chief Executive Officer	2002	330,000	7,344,688(4)	3,148		350,000	22,905
Peter L. Bain	2004	\$250,000	\$1,617,625	\$6,754	\$167,000	7,000	\$10,000
Executive Vice President	2003	247,920	1,260,000	6,712	153,000	14,000	9,000
	2002	225,000	1,170,000	1,332	142,000	25,000	9,150
James W. Brinkley	2004	\$300,000	\$2,250,000	\$7,967			\$106,807
Senior Executive Vice	2003	297,917	2,350,000	7,683		10,000	105,900
President	2002	275,004	2,500,000	2,203		20,000	129,804
Mark R. Fetting	2004	\$250,000	\$1,797,580		\$186,000	7,000	\$10,000
Executive Vice President	2003	249,170	1,260,000		153,000	14,000	9,000
	2002	230,000	990,000		120,000	25,000	9,150
Timothy C. Scheve	2004	\$272,917	\$1,705,485		\$179,000	8,000	\$10,000
Senior Executive Vice	2003	249,171	1,350,000		164,100&nbs		