

LEGG MASON, INC.  
Form S-3ASR  
January 13, 2014  
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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 13, 2014

Registration No. 333-

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM S-3  
REGISTRATION STATEMENT  
UNDER  
*THE SECURITIES ACT OF 1933*

LEGG MASON, INC.  
(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of  
incorporation or organization)

52-1200960  
(I.R.S. Employer  
Identification Number)

**100 International Drive Baltimore, Maryland 21202 (410) 539-0000**

**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

**Thomas C. Merchant**

**Executive Vice President and General Counsel**

**Legg Mason, Inc.**

**100 International Drive**

**Baltimore, Maryland 21202**

**(410) 539-0000**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*Copy to:*

**James S. Scott, Sr., Esq. Shearman & Sterling LLP**

**599 Lexington Avenue**

**New York, New York 10022**

**(212) 848-4000**

***Approximate date of commencement of proposed sale to the public:*** From time to time after the effective date of this registration statement as determined by the registrant.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box:

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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.

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

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered <sup>(1)</sup>	Proposed	Proposed	Amount of Registration Fee <sup>(2)</sup>
		Maximum Offering Price Per Unit <sup>(1)</sup>	Maximum Aggregate Offering Price <sup>(1)</sup>	
Debt Securities				

(1) An indeterminate principal amount of debt securities are being registered and may from time to time be offered at indeterminate prices.  
 (2) In accordance with Rule 456(b) and Rule 457(r), the registrant is deferring payment of all of the registration fee.



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**PROSPECTUS**

**LEGG MASON, INC.**

**DEBT SECURITIES**

Pursuant to a shelf registration statement of which this prospectus is a part, we, Legg Mason, Inc., may offer notes, debentures or other debt securities. Pursuant to this process, we may sell such securities from time to time together or separately in one or more separate offerings, in amounts, at prices and on terms to be determined at the time of sale.

This prospectus will describe the general terms of the securities and the general manner in which we will offer such securities. Each time we sell securities, we will provide a prospectus supplement that will contain the specific terms of the securities offered. The prospectus supplement will also describe the specific manner in which we will offer the securities.

The prospectus supplement may also add, update or change information contained in this prospectus. You should read this prospectus, the prospectus supplement and the additional information described under **Where You Can Find More Information** carefully before you invest.

**Investing in our securities involves risks. See the Risk Factors in the applicable prospectus supplement concerning factors you should consider before investing in our securities.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

**The date of this prospectus is January 13, 2014**

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We have not authorized anyone to provide any information or to make any representations other than those contained or incorporated by reference in this prospectus and the accompanying prospectus supplement. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus and the accompanying prospectus supplement do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus and the accompanying prospectus supplement constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus and the accompanying prospectus supplement is correct on any date after their respective dates, even though this prospectus or a prospectus supplement is delivered or securities are sold on a later date.

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**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission, or the SEC. You may read and copy any document we file at the SEC's public reference rooms at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from the SEC's web site at <http://www.sec.gov>. Our common stock is listed on the New York Stock Exchange (the "NYSE") under the symbol "LM". Information about us also is available at the NYSE.

This prospectus is part of a registration statement we filed with the SEC. This prospectus omits some information contained in the registration statement in accordance with SEC rules and regulations. You should review the information and exhibits in the registration statement for further information about us and our consolidated subsidiaries and the securities we are offering. Statements in this prospectus concerning any document we filed as an exhibit to the registration statement or that we otherwise filed with the SEC are not intended to be comprehensive and are qualified by reference to these filings. You should review the complete document to evaluate these statements.

The SEC allows us to incorporate by reference much of the information we file with them. This means that we can disclose important information to you by referring you to those documents that are considered part of this prospectus. The information that we incorporate by reference in this prospectus is considered to be part of this prospectus. Because we are incorporating by reference future filings with the SEC, this prospectus is continually updated and filings may modify or supersede some of the information included or incorporated in this prospectus. This means that you must look at all of the SEC filings that we incorporate by reference to determine if any of the statements in this prospectus or in any document previously incorporated by reference have been modified or superseded. We incorporate by reference the documents listed below and any future filings we make with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until the date the respective offering of securities has been completed:

Our Annual Report on Form 10-K for the year ended March 31, 2013, including information specifically incorporated by reference into the annual report on Form 10-K from our proxy statement on Schedule 14A filed with the SEC on June 12, 2013;

Our Quarterly Report on Form 10-Q for the quarter ended June 30, 2013;

Our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013;

Our Current Report on Form 8-K filed with the SEC on April 2, 2013;

Our Current Report on Form 8-K filed with the SEC on May 3, 2013;

Our Current Report on Form 8-K filed with the SEC on June 6, 2013;

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Our Current Report on Form 8-K filed with the SEC on June 27, 2013;

Our Current Report on Form 8-K filed with the SEC on July 25, 2013, relating to submission of matters to a vote of security holders;

Our Current Report on Form 8-K filed with the SEC on September 5, 2013; and

Our Current Report on Form 8-K filed with the SEC on September 11, 2013, only with respect to Item 8.01. You may obtain a copy of these filings at no cost, by writing or telephoning us at the following address:

Legg Mason, Inc. 100 International Drive Baltimore, Maryland 21202 Attn: Corporate Secretary (410) 539-0000



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Exhibits to these filings will not be sent, however, unless those exhibits have specifically been incorporated by reference in this document.

The information contained in this prospectus is current only as of the date hereof. Unless the context requires otherwise, the terms Legg Mason, we, us, and our refer to Legg Mason, Inc. and its predecessors and subsidiaries.

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**FORWARD-LOOKING INFORMATION**

Certain statements included in this prospectus, the accompanying prospectus supplement and any documents incorporated by reference constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Exchange Act. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from those expressed or implied by any forward-looking statements. These forward-looking statements may contain information related, but not limited to:

anticipated growth in revenues, margins or earnings per share;

anticipated future net client cash flows, and uses for free cash;

anticipated future performance of our business, including expected earnings per share in future periods;

anticipated changes in our business or in the amount of client assets under management;

anticipated expense levels, changes in expenses and expectations regarding financial market conditions;

anticipated investment performance of, or levels of asset flows to, asset management products we manage;

anticipated future investment performance of our affiliates;

anticipated future transactions such as acquisitions; and

anticipated performance of recent, pending and future acquisitions.

In some cases, you can identify forward-looking statements by terminology such as may, will, could, would, should, expect, plan, anticipate, intend, believe, estimate, predict, potential or continue or the negative of the comparable terminology. These statements are only predictions. Actual events or results may differ materially due to a number of factors including, but not limited to:

the volatility and general level of securities prices and interest rates;

the competitive nature of the asset management industry;

changes in investor sentiment and confidence;

changes in domestic and foreign economic and market conditions;

changes in our total assets under management or their composition due to investment performance, client withdrawals or inflows, market conditions, competitive pressures or other reasons;

the mix of our assets under management among our affiliates and the revenue yield of our assets under management;

the relative investment performance of company-sponsored investment funds and other asset management products both in absolute terms and relative to competing offerings and market indices;

our ability to maintain investment management and administrative fees at current levels;

the loss of key employees or principals of our current or future operating subsidiaries;

fluctuations in operating expenses due to variations in levels of compensation expense incurred as a result of changes in the number of total employees, competitive factors, changes in the percentages of revenues paid as compensation or other reasons;

the effect of current and future federal, state and foreign regulation of the asset management industry, including potential liability under applicable securities laws;

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market, credit and liquidity risks associated with our investment management activities;

variations in expenses and capital costs, including depreciation, amortization and other non-cash charges incurred by us to maintain our administrative infrastructure;

the impairment of acquired intangible assets and goodwill;

costs associated with any credit support activities we engage in with regard to funds managed by our subsidiaries;

potential restrictions on the business of, and withdrawal of capital from, certain of our subsidiaries due to net capital requirements;

unanticipated costs that may be incurred by Legg Mason from time to time to protect client goodwill, to otherwise support investment products or in connection with litigation or regulatory proceedings; and

the effect of any acquisitions and dispositions, including prior acquisitions.

We have no duty to update any of the forward-looking statements after the date of this prospectus or any documents incorporated by reference. In assessing these forward-looking statements you should carefully consider the factors discussed under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations Forward Looking Statements" and "Risk Factors" in our Quarterly Reports on Form 10-Q and our most recent Annual Report on Form 10-K.

We caution the reader that these risk factors may not be exhaustive. We operate in a continually changing business environment, and new risks emerge from time to time. Management cannot predict such new risks or the impact of such new risks on our businesses. Accordingly, forward-looking statements should not be relied upon as a prediction of actual results.

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**OUR COMPANY**

Legg Mason is a global asset management company. Acting through our subsidiaries, we provide investment management and related services to institutional and individual clients, company-sponsored mutual funds and other pooled investment vehicles. We offer these products and services directly and through various financial intermediaries. We have operations principally in the United States of America and the United Kingdom and also have offices in Australia, Bahamas, Brazil, Canada, Chile, China, Dubai, France, Germany, Italy, Japan, Luxembourg, Poland, Singapore, Spain, Switzerland and Taiwan.

Legg Mason, Inc. was incorporated in Maryland in 1981 to serve as a holding company for its various subsidiaries. The predecessor companies to Legg Mason trace back to Legg & Co., a Maryland-based broker-dealer formed in 1899. Our subsequent growth has occurred primarily through internal expansion and the acquisition of asset management and broker-dealer firms. In December 2005, Legg Mason completed a transaction in which it sold its primary broker-dealer businesses to concentrate on the asset management industry.

**ABOUT THIS PROSPECTUS**

This prospectus is part of an automatic shelf registration statement that we filed with the SEC as a well-known seasoned issuer as defined in Rule 405 under the Securities Act, using a shelf registration process. Under this process, we may from time to time sell the securities described in this prospectus in one or more offerings. This prospectus provides a general description of the securities we may offer.

Each time we offer any of the securities described in this prospectus, we will attach a prospectus supplement to this prospectus. The prospectus supplement will contain the specific description of the securities we are then offering and the terms of the offering. The prospectus supplement will supersede this prospectus to the extent it contains information that is different from, or that conflicts with, the information contained in this prospectus.

It is important for you to read and consider all information contained in this prospectus, the applicable prospectus supplement and in any related free writing prospectus that we authorize to be delivered to you, together with the documents we have incorporated by reference in this prospectus and the applicable prospectus supplement, in making your investment decision. You should also read and consider the information contained in the documents identified in [Where You Can Find More Information](#) in this prospectus.

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The following table sets forth our ratio of earnings to fixed charges for the periods indicated.

	<b>Six Months Ended September 30,</b>	<b>Years Ended March 31,</b>				
	<b>2013</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Ratio of earnings to fixed charges	5.0x	(4.1)x <sup>(1)</sup>	3.4x	3.8x	3.0x	(13.8)x <sup>(2)</sup>

(1) Earnings were inadequate to cover fixed charges for the year ended March 31, 2013 by \$505.6 million.

(2) Earnings were inadequate to cover fixed charges for the year ended March 31, 2009 by \$3,183 million.

For purposes of calculating the ratio of earnings to fixed charges, (i) earnings consist of our consolidated income from operations before income taxes and fixed charges and (ii) fixed charges consist of interest expense, excluding interest on uncertain tax positions, included in earnings and one third of the total of Rent, Marketing Data Services, Maintenance, Data Processing Service Bureau and Equipment Rental expenses (considered representative of the interest factor).

**USE OF PROCEEDS**

Except as may be described otherwise in the applicable prospectus supplement, we intend to use the net proceeds from the sale of our securities for general corporate purposes. This may include our continued expansion and diversification, both by internal growth and by acquisition, of our asset management business, and repayment of our outstanding indebtedness. Pending any of the foregoing applications, the net proceeds may be invested temporarily in short-term, interest bearing securities.

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**DESCRIPTION OF DEBT SECURITIES**

In this description, we, our, us and Legg Mason refer to Legg Mason, Inc. and not to any subsidiary of Legg Mason, Inc.

We may issue debt securities in one or more distinct series. This section summarizes the material terms of the debt securities that are common to all series. Most of the financial terms and other specific material terms of any series of debt securities that we offer will be described in a prospectus supplement or term sheet to be attached to the front of this prospectus. Since the terms of specific debt securities may differ from the general information provided below, you should rely on information in the prospectus supplement or term sheet that contradicts different information below.

As required by federal law for all bonds and notes of companies that are publicly offered, the debt securities are governed by a document called an indenture. An indenture is a contract between us and a financial institution acting as trustee on your behalf. The trustee has two main roles. First, the trustee can enforce your rights against us if we default. There are some limitations on the extent to which the trustee acts on your behalf, described under Events of Default. Second, the trustee performs certain administrative duties for us.

The debt securities will constitute either senior debt (the Senior Securities) or subordinated debt (the Subordinated Securities) of Legg Mason. Senior Securities will be issued under a separate indenture to be entered into between us and The Bank of New York Mellon, as Trustee (the Senior Trustee), pursuant to a form senior indenture filed herewith as Exhibit 4(a) (as the senior indenture may be supplemented from time to time, the Senior Indenture). Subordinated Securities will be issued under a separate indenture to be entered into between us and The Bank of New York Mellon, as Trustee (the Subordinated Trustee), pursuant to a form subordinated indenture filed with our Form S-3, filed with the SEC on January 11, 1996 (as the subordinated indenture may be supplemented from time to time, the Subordinated Indenture). We will refer to the Senior Indenture and the Subordinated Indenture together as the Indentures and each as an Indenture. The Indentures are subject to and governed by the Trust Indenture Act of 1939, as amended. The term Trustee refers to either the Senior Trustee or the Subordinated Trustee, as the context requires.

Because this section is a summary, it does not describe every aspect of the debt securities and the Indentures. We urge you to read the Indentures because the Indentures, and not this description, define your rights as a holder of debt securities. For example, in this section, we use capitalized words to signify terms that are specifically defined in the Indentures. Some of the definitions are repeated in this prospectus, but for the rest you will need to read the Indentures. See Where You Can Find More Information for information on how to locate the Indentures and any supplemental indentures that may be filed.

**General Provisions of the Indenture**

Each series of debt securities will be unsecured obligations of Legg Mason. Any senior securities will rank equally with all other unsecured and unsubordinated indebtedness of Legg Mason. Any subordinated securities will be subordinated in right of payment to the prior payment in full of the senior indebtedness of Legg Mason as more fully described in a prospectus supplement or term sheet.

The Indentures provide that any debt securities proposed to be sold under this prospectus and the attached prospectus supplement or term sheet (offered debt securities), as well as other unsecured debt securities, may be issued under the applicable Indenture in one or more series.

You should read the prospectus supplement or term sheet for the material terms of the offered debt securities, including the following:

The title of the debt securities and whether the debt securities will be senior securities or subordinated securities of Legg Mason.



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The total principal amount of the debt securities of the series and any limit on such total principal amount.

If not the principal amount of the debt securities, the portion of the principal amount payable upon acceleration of the maturity of the debt securities or how this portion will be determined.

The date or dates, or how the date or dates will be determined or extended, when the principal of the debt securities will be payable.

The interest rate or rates, which may be fixed or variable, that the debt securities will bear, if any, or how the rate or rates will be determined, the date or dates from which any interest will accrue or how the date or dates will be determined, the interest payment dates, any record dates for these payments and the basis upon which interest will be calculated if other than that of a 360-day year of twelve 30-day months.

Any optional redemption provisions.

Any sinking fund or other provisions that would obligate us to repurchase or otherwise redeem the debt securities.

The form in which we will issue the debt securities and whether we will have the option of issuing debt securities in certificated form.

If other than U.S. dollars, the currency or currencies in which the debt securities are denominated and/or payable.

Whether the amount of payments of principal, premium or interest, if any, on the debt securities will be determined with reference to an index, formula or other method (which index, formula or method may be based, without limitation, on one or more currencies, commodities, equity indices or other indices), and how these amounts will be determined.

The place or places, if any, other than or in addition to The City of New York, of payment, transfer, conversion and/or exchange of the debt securities.

If other than minimum denominations of \$2,000 or any integral multiple of \$1,000 above the minimum denomination in the case of registered securities issued in certificated form, the denominations in which the debt securities will be issued.

Whether defeasance provisions apply to the debt securities and any provisions in modification of, in addition to or in lieu of any of these provisions.

Whether and under what circumstances we will pay additional amounts in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem the debt securities rather than pay the additional amounts (and the terms of this option).

Whether the debt securities are subordinated and the terms of such subordination.

Any provisions granting special rights to the holders of the debt securities upon the occurrence of specified events.

Any changes or additions to the Events of Default or covenants contained in the applicable Indenture.

Whether the debt securities will be convertible into or exchangeable for any other securities and the applicable terms and conditions.

Any other material terms of the debt securities.

For purposes of this prospectus, any reference to the payment of principal of or premium or interest, if any, on the debt securities will include additional amounts if required by the terms of the debt securities.

The Indentures do not limit the amount of debt securities that may be issued thereunder from time to time. Debt securities issued under an indenture when a single trustee is acting for all debt securities issued under the

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indenture are called the indenture securities. Each Indenture also provides that there may be more than one trustee thereunder, each with respect to one or more different series of indenture securities. See Resignation of Trustee below. At a time when two or more trustees are acting under an indenture, each with respect to only certain series, the term indenture securities means the one or more series of debt securities with respect to which each respective trustee is acting. In the event that there is more than one trustee under an Indenture, the powers and trust obligations of each trustee described in this prospectus will extend only to the one or more series of indenture securities for which it is trustee. If two or more trustees are acting under the indenture, then the indenture securities for which each trustee is acting would be treated as if issued under separate indentures.

The Indentures do not contain any provisions that give you protection in the event we issue a large amount of debt, we repurchase a significant amount of equity or effect a recapitalization, or we are acquired by another entity.

We refer you to the applicable prospectus supplement or term sheet for information with respect to any deletions from, modifications of or additions to the Events of Default or our covenants that are described below, including any addition of a covenant or other provision providing event risk or similar protection.

We have the ability to issue indenture securities with terms different from those of indenture securities previously issued and, without the consent of the holders thereof, to reopen a previous issue of a series of indenture securities and issue additional indenture securities of that series unless the reopening was restricted when that series was created.

Unless otherwise specified in the applicable prospectus supplement or term sheet, the debt securities will be denominated in U.S. dollars and all payments on the debt securities will be made in U.S. dollars.

Payment of the purchase price of the debt securities must be made in immediately available funds.

The authorized denominations of debt securities denominated in U.S. dollars will be a minimum denomination of \$2,000 and integral multiples of \$1,000 above the minimum denomination unless otherwise specified in the applicable prospectus supplement or term sheet. The authorized denominations of foreign currency debt securities will be set forth in the applicable prospectus supplement or term sheet.

## **Optional Redemption, Repayment and Repurchase**

If specified in a prospectus supplement or term sheet, we may redeem the debt securities at our option by mailing notice of any redemption at least 30 days, but not more than 60 days, before the date of redemption to each holder of the debt securities to be redeemed. If less than all of the debt securities are to be redeemed at any time, the trustee will select debt securities to be redeemed by such method as the trustee deems appropriate. Unless we default in payment of the redemption price, on and after the date of redemption, interest will cease to accrue on the debt securities or portions thereof called for redemption.

We may at any time purchase the debt securities at any price in the open market or otherwise, subject to applicable law. We may hold, resell or surrender for cancellation any debt securities that we purchase.

## **Conversion and Exchange**

If any debt securities are convertible into or exchangeable for other securities, the prospectus supplement or term sheet will explain the terms and conditions of the conversion or exchange, including the conversion or exchange price or rate (or the calculation method), the conversion or exchange period (or how the period will be determined), if conversion or exchange will be mandatory or at the option of the holder or us, provisions for adjusting the conversion

or exchange price or rate and provisions affecting conversion or exchange in the event of the redemption of the underlying debt securities. These terms may also include provisions under which the

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number or amount of other securities to be received by the holders of the debt securities upon conversion or exchange would be calculated according to the market price of the other securities as of a time stated in the prospectus supplement or term sheet.

### **Issuance of Securities in Registered Form**

*Book-Entry Holders.* We will issue debt securities in registered book-entry form only, unless we specify otherwise in the applicable prospectus supplement or term sheet. This means debt securities will be represented by one or more global securities registered in the name of a depository or its nominee. Financial institutions that participate in the depository's book-entry system will hold beneficial interests in the debt securities held by or on behalf of the depository or its nominee. These institutions may hold these interests on behalf of themselves or customers.

Under the Indentures, only the person in whose name a debt security is registered is recognized as the holder of that debt security. Consequently, for debt securities issued in book-entry form, we will recognize only the depository or its nominee as the holder of the debt securities and we will make all payments on the debt securities to the depository. The depository will then pass along the payments it receives to its participants, which, in turn, will pass the payments along to their customers who are the beneficial owners. The depository and its participants will do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the debt securities or the applicable Indenture.

As a result, investors will not own debt securities directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depository's book-entry system or holds an interest through an indirect participant. As long as the debt securities are represented by one or more global securities, investors will be indirect holders, and not holders of the debt securities.

*Street Name Holders.* In the future, we may issue debt securities in certificated form or terminate a global security. In these cases, investors may choose to hold their debt securities in their own names or in street name. Debt securities held in street name are registered in the name of a bank, broker or other financial institution chosen by the investor, and the investor would hold a beneficial interest in those debt securities through the account he or she maintains at that institution.

For debt securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the debt securities are registered as the holders of those debt securities and we will make all payments on those debt securities to them. These institutions will pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold debt securities in street name will be indirect holders, and not holders, of the debt securities.

*Legal Holders.* Our obligations, as well as the obligations of the trustee and those of any third parties employed by us or the applicable trustee, run only to the legal holders of the debt securities. We do not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect holder of a debt security or has no choice because we are issuing the debt securities only in book-entry form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for the payment or notice even if that holder is required, under agreements with depository participants or customers or by law, to pass it along to the indirect holders but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose (for example, to amend an indenture or to relieve us of the consequences of a default or of our

obligation to comply with a particular provision of an indenture), we would seek the approval only from the holders, and not the indirect holders, of the debt securities. Whether and how the holders contact the indirect holders is up to the holders.

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When we refer to you, we mean those who invest in the debt securities being offered by this prospectus, the prospectus supplement or term sheet whether they are the holders or only indirect holders of those debt securities. When we refer to your debt securities, we mean the debt securities in which you hold a direct or indirect interest.

*Special Considerations for Indirect Holders.* If you hold debt securities through a bank, broker or other financial institution, either in book-entry form or in street name, we urge you to check with that institution to find out:

how it handles securities payments and notices,

whether it imposes fees or charges,

how it would handle a request for the holders' consent, if ever required,

whether and how you can instruct it to send you debt securities registered in your own name so you can be a holder, if that is permitted in the future for a particular series of debt securities,

how it would exercise rights under the debt securities if there were a default or other event triggering the need for holders to act to protect their interests, and

if the debt securities are in book-entry form, how the depository's rules and procedures will affect these matters.

## **Global Securities**

*What Is a Global Security?* As noted above, we usually will issue debt securities as registered securities in book-entry form only. A global security represents one or any other number of individual debt securities. Generally, all debt securities represented by the same global securities will have the same terms.

Each debt security issued in book-entry form will be represented by a global security that we deposit with, or on behalf of, and register in the name of a financial institution or its nominee that we select. The financial institution that we select for this purpose is called the depository. Unless we specify otherwise in the applicable prospectus supplement or term sheet, The Depository Trust Company, New York, New York, known as DTC, will be the depository for all debt securities issued in book-entry form.

A global security may not be transferred to or registered in the name of anyone other than the depository or its nominee, unless special termination situations arise. We describe those situations below under *Special Situations when a Global Security Will Be Terminated*. As a result of these arrangements, the depository, or its nominee, will be the sole registered owner and holder of all debt securities represented by a global security, and investors will be permitted to own only beneficial interests in a global security. Beneficial interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depository or with another institution that has an account with the depository. Thus, an investor whose security is represented by a global security will not be a holder of the debt security, but only an indirect owner of a beneficial interest in the global

security.

*Special Considerations for Global Securities.* As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depository, as well as general laws relating to securities transfers. The depository that holds the global security will be considered the holder of the debt securities represented by the global security.

If debt securities are issued only in the form of a global security, an investor should be aware of the following:

An investor cannot cause the debt securities to be registered in his or her name, and cannot obtain certificates for his or her interest in the debt securities, except in the special situations we describe below.



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An investor will be an indirect holder and must look to his or her own bank or broker for payments on the debt securities and protection of his or her legal rights relating to the debt securities, as we describe under Issuance of Securities in Registered Form above.

An investor may not be able to sell interests in the debt securities to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form.

An investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the debt securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective.

The depositary's policies, which may change from time to time, will govern payments, transfers, exchanges and other matters relating to an investor's interest in a global security. We and the trustee have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in a global security. We and the trustee also do not supervise the depositary in any way.

If we redeem less than all the debt securities of a particular series being redeemed, DTC's practice is to determine by lot the amount to be redeemed from each of its participants holding that series.

An investor is required to give notice of exercise of any option to elect repayment of its debt securities, through its participant, to the trustee and to deliver the related debt securities by causing its participant to transfer its interest in those debt securities, on DTC's records, to the trustee.

DTC requires that those who purchase and sell interests in a global security deposited in its book-entry system use immediately available funds. Your broker or bank may also require you to use immediately available funds when purchasing or selling interests in a global security.

Financial institutions that participate in the depositary's book-entry system, and through which an investor holds its interest in a global security, may also have their own policies affecting payments, notices and other matters relating to the debt securities. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the actions of any of those intermediaries.

*Special Situations When a Global Security Will Be Terminated.* In a few special situations described below, a global security will be terminated and interests in it will be exchanged for debt securities of the same series in non-book-entry form (certificated debt securities). After that exchange, the choice of whether to hold the certificated debt securities directly or in street name will be up to the investor. Investors must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders.

The special situations for termination of a global security are as follows:

if the depositary notifies us that it is unwilling, unable or no longer qualified to continue as depositary for that global security, and we do not appoint another institution to act as depositary within 90 days;

if we notify the trustee that we wish to terminate that global security (subject to the procedures of the depositary); or

if an event of default has occurred with regard to the debt securities represented by that global security and has not been cured or waived; we discuss defaults later under Events of Default.

The prospectus supplement or term sheet may list situations for terminating a global security that would apply only to the particular series of debt securities covered by the prospectus supplement or term sheet. If a global security is terminated, only the depositary, and neither we nor the trustee, will be responsible for deciding the names of the institutions in whose names the debt securities represented by the global security will be registered and, therefore, who will be the holders of those debt securities.

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### **Payment and Paying Agents**

We will pay interest to the person listed in the trustee's records as the owner of the debt security at the close of business on a particular day in advance of each regularly scheduled date for interest, even if that person no longer owns the debt security on the interest due date. That day, typically set at a date approximately two weeks prior to the interest due date, is called the record date. Because we will pay all the interest for an interest period to the holders on the record date, holders buying and selling debt securities must work out between themselves the appropriate purchase price. The most common manner is to adjust the sales price of the debt securities to prorate interest fairly between buyer and seller based on their respective ownership periods within the particular interest period. This prorated interest amount is called accrued interest.

*Payments on Global Securities.* We will make payments on a global security in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will make payments directly to the depositary, or its nominee, and not to any indirect holders who own beneficial interests in the global security. An indirect holder's right to those payments will be governed by the rules and practices of the depositary and its participants, as described under Global Securities.

*Payments on Certificated Debt Securities.* We will make payments on a certificated debt security as follows. We will pay interest that is due on an interest payment date by check mailed on the interest payment date to the holder at his or her address shown on the trustee's records as of the close of business on the regular record date. We will make payments of principal and premium, if any, duly and punctually to the office of the trustee.

Alternatively, if the holder asks us to do so, we may pay any amount that becomes due on the debt security by wire transfer of immediately available funds to an account at a bank in New York City, on the due date. To request payment by wire, the holder must give the trustee or other paying agent appropriate transfer instructions at least 15 calendar days before the requested wire payment is due. In the case of any interest payment due on an interest payment date, the instructions must be given by the person who is the holder on the relevant regular record date. Any wire instructions, once properly given, will remain in effect unless and until new instructions are given in the manner described above.

### **Covenant**

*Consolidation, Merger, Sale or Conveyance.* The Indentures provide that Legg Mason may not consolidate with or merge into any other entity or convey, transfer or lease its properties and assets as an entirety or substantially as an entirety to any entity, unless:

the successor or transferee entity, if other than Legg Mason, is a corporation organized and existing under the laws of the United States, any state or territory thereof or the District of Columbia and expressly assumes by a supplemental indenture executed and delivered to the trustee, in form reasonably satisfactory to the trustee, the due and punctual payment of the principal of, any premium on and any interest on, all the outstanding debt securities of Legg Mason and the performance of every covenant and obligation in the indenture to be performed or observed by Legg Mason;

immediately after giving effect to the transaction, no Event of Default, as defined in the applicable Indenture, and no event which, after notice or lapse of time or both, would become an Event of Default, has happened and is continuing; and

Legg Mason has delivered to the trustee an officer's certificate and an opinion of counsel, each in the form required by the applicable Indenture and stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture comply with the foregoing provisions relating to such transaction.

In case of any such consolidation, merger, conveyance, transfer or lease, the successor entity will succeed to and be substituted for Legg Mason as obligor on the debt securities with the same effect as if it had been named in the applicable Indenture as Legg Mason.

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**Events of Default**

An event of default is defined in the Senior Indenture with respect to the debt securities of any series issued under the Senior Indenture as:

- (a) default for 30 days in payment of any interest on the debt securities of such series when it becomes due and payable;
- (b) default in payment of principal of or any premium on the debt securities of such series at maturity or upon redemption or repayment when the same becomes due and payable;
- (c) failure to observe or perform any other covenant or agreement with respect to the debt securities of such series for 60 days after we receive notice of such failure as provided in the indenture;
- (d) a default under any debt for money borrowed by Legg Mason or any subsidiary that results in the acceleration of the maturity of such debt, or failure to pay any such debt at maturity, in an aggregate amount of at least \$50.0 million or its foreign currency equivalent at the time and such acceleration has not been rescinded or annulled, or debt paid, within 30 days after notice to us by the trustee or holders of 25% or more in aggregate principal amount of the then outstanding debt securities of such series;
- (e) certain events of bankruptcy, insolvency and reorganization of Legg Mason; and
- (f) any other event of default provided with respect to the debt securities of such series.

An event of default is defined in the Subordinated Indenture with respect to the debt securities of any series issued under the Subordinated Indenture as:

- (a) default for 30 days in payment of any interest on the debt securities of such series when it becomes due and payable;
- (b) default in payment of principal of the debt securities of such series at maturity or upon redemption, by declaration or otherwise;
- (c) failure to observe or perform any other covenant, or agreement with respect to the debt securities of such series for 60 days after we receive notice of such failure;
- (d)

a default with respect to any debt for money borrowed by Legg Mason or any subsidiary, which default results in the acceleration of the maturity of such debt in an amount in excess of \$10.0 million without such debt having been discharged or such acceleration having been cured, waived, rescinded or annulled for a period of 30 days after written notice thereof to us by the trustee, or to us and the trustee by the holders of 25% or more in aggregate principal amount of the outstanding debt securities (treated as one class) issued under the Subordinated Indenture;

(e) certain events of bankruptcy, insolvency or reorganization of Legg Mason; and

(f) any other event of default provided with respect to the debt securities of such series.

If an event of default with respect to the Senior Indenture described in clause (a), (b), (c), (d) or (f) above or any event of default with respect to the Subordinated Indenture has occurred and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of the debt securities of the applicable series may declare the principal amount of the debt securities of the applicable series then outstanding, and any accrued and unpaid interest through the date of such declaration, to be due and payable immediately.

Each Indenture provides that upon certain conditions such declarations may be annulled and past defaults may be waived by the holders of a majority in aggregate principal amount of the debt securities of the applicable series.

The Senior Indenture provides that if an event of default described in clause (e) above has occurred and is continuing, then the principal amount of all debt securities issued under the applicable indenture, together with

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any accrued interest through the occurrence of such event, shall become and be due and payable immediately, without any declaration or other act by the trustee or any other holder.

Under the Indentures, the trustee must give to the holders of debt securities of any series notice of all uncured defaults known to it with respect to the debt securities of such series within 90 days after such a default occurs (the term default to include the events specified above without notice or grace periods); provided that, except in the case of default in the payments of principal of or any premium or interest on any of the debt securities of such series, the trustee will be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the best interest of the holders of such debt securities.

No holder of any debt securities may institute any action under the applicable Indenture unless:

such holder has given the trustee written notice of a continuing event of default with respect to the debt securities;

the holders of not less than 25% in aggregate principal amount of the debt securities of the applicable series, or, in the case of an event of default with respect to the Senior Indenture described in clause (e) above, the holders of not less than 25% in aggregate principal amount of all debt securities issued under the Senior Indenture, have requested the trustee to institute proceedings in respect of such event of default in its own name as trustee;

such holder or holders have offered the trustee such indemnity as the trustee may reasonably require;

the trustee has failed to institute an action for 60 days thereafter; and

no inconsistent direction has been given to the trustee during such 60-day period by the holders of a majority in aggregate principal amount of such debt securities, or, in the case of an event of default with respect to the Senior Indenture described in clause (e) above, by the holders of a majority in aggregate principal amount of all debt securities issued under the Senior Indenture.

The holders of a majority in aggregate principal amount of the debt securities of any series and, in the case of an event of default with respect to the Senior Indenture described in clause (e) above, the holders of a majority in aggregate principal amount of all debt securities issued under the Senior Indenture, will have the right, subject to certain limitations, to direct the time, method and place of conducting any proceeding for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the debt securities of such series. Each Indenture provides that, if an event of default occurs and is continuing, the trustee, in exercising its rights and powers under the Indenture, will be required to use the degree of care of a prudent man in the conduct of his own affairs. Each Indenture further provides that the trustee shall not be required to expend or risk its own funds or otherwise incur any financial liability in the performance of an