

LEGG MASON, INC. POLICY REGARDING DIRECTOR INDEPENDENCE DETERMINATIONS

The Board of Directors (the “Board”) of Legg Mason, Inc. (together with its consolidated subsidiaries, the “Company”) will determine which of its members are independent for purposes of the New York Stock Exchange (“NYSE”) rules on an annual basis.

Under the NYSE Listing Standards, no director qualifies as “independent” unless the Board of Directors affirmatively determines that the director has no “material relationship” with the Company directly or as a partner, shareholder or officer of an organization that has a relationship with the Company. Directors who have relationships covered by one of the bright-line independence tests established by the NYSE may not be considered independent.

In addition to the bright-line independence tests established by the NYSE, the NYSE permits a company’s board of directors to adopt categorical standards regarding director independence. Categorical standards are intended to assist the Board in making independence determinations.

The following relationships should not be considered material relationships that would impair a director’s independence from the Company:

- relationships where a director owns equity securities of the Company or purchases investment services, investment products, securities or similar products and services from the Company so long as the relationship is on substantially the same terms as those prevailing at the time for similarly-situated persons who are not directors or executive officers of the Company;
- relationships where a director owns an interest in a partnership or fund which is sponsored or managed by the Company so long as the terms on which such director acquired the interest and participates in the partnership or fund are on substantially the same terms as those prevailing at the relevant time for similarly-situated persons who are not directors or executive officers of the Company;
- relationships where a director, or an immediate family member of a director, is a former executive officer or employee of another company that made payments to, or received payments from, the Company for property or services during a prior fiscal year when the director, or the immediate family member of a director, was an executive officer or employee of such other company, and the payments were made in the ordinary course of business;
- relationships where a director beneficially owns, or is an employee of another company that beneficially owns, less than 10% of Legg Mason’s common equity;

- relationships where a director is an employee of another company to which the Company is indebted, and the total amount of the indebtedness is less than one percent of the total consolidated assets of the company for which he or she serves as an employee;
- relationships where a director serves as an officer, director or trustee of a charitable organization, and the Company's discretionary charitable contributions to the organization for the fiscal year are less than the lesser of \$1,000,000 or two percent of that organization's consolidated gross revenues;
- relationships arising solely from a director's position as a director or advisory director (or similar position) of another company or tax-exempt organization that engages in a transaction with the Company;
- relationships where an immediate family member of a director received direct compensation from the Company while serving as a non-executive employee of the Company more than three fiscal years ago;
- relationships where a director served more than three fiscal years ago as a former partner or employee of the Company's present external auditor or the auditor of any of mutual funds managed by the Company;
- relationships where a director was employed by, but not an executive officer of, the Company more than three fiscal years ago; and
- other relationships or transactions that are not covered by any of the standards listed above and in which the amount involved does not exceed \$10,000 in any fiscal year.

Multiple relationships or transactions that individually are deemed immaterial under one or more standards shall not be deemed collectively to create a material relationship that would cause the director not to be independent. In addition, the fact that a particular relationship or transaction that either is not addressed or exceeds the thresholds shall not create a presumption that the director is not independent. In such case, the Board will determine whether, after taking into account all relevant facts and circumstances, relationships or transactions that are not addressed or that exceed the thresholds are, in the Board's judgment, material, and therefore whether the affected director is independent from our management. The Company will explain in its annual proxy statement for the election of directors the basis for any Board determination that any such relationship or transaction was not material.

Definitions: For purposes of these categorical standards:

"company" includes for-profit organizations and excludes tax-exempt organizations.

“Executive officer” means an entity’s president, principal financial officer, principal accounting officer (or, if there is no such accounting officer, the controller), any vice-president of the entity in charge of a principal business unit, division or function, any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the entity. See Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended.

“Immediate family members” of a director means the director’s spouse, parents, step-parents, children, step-children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than employees) who shares the director’s home. When applying the look-back provisions of the standards, persons who are no longer immediate family members as a result of legal separation or divorce or those who have died or become incapacitated shall not be considered.

As adopted by the Board of Directors on April 29, 2008.