

Important 2012 Tax Information Regarding Your Mutual Funds

Managed by WESTERN ASSET

CLEARBRIDGE INVESTMENTS

LEGG MASON CAPITAL MANAGEMENT

BRANDYWINE GLOBAL

BATTERYMARCH

This Booklet is a summary of useful tax information for certain Legg Mason, ClearBridge and Western Asset closed-end and open-end funds. It will assist you, as an investor, in the preparation of your 2012 Federal and state income tax returns. We recommend that you consult your tax advisor for assistance with how this information will impact your specific tax situation.

IMPORTANT INFORMATION

The tax information contained herein is provided for informational purposes only and should not be construed as legal or tax advice. Legg Mason does not provide legal or tax advice to taxpayers. This material and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any such taxpayer for the purpose of avoiding tax penalties. Please consult an attorney or tax professional for assistance as to how this information will impact your specific tax situation.

All investments involve risk, including possible loss of principal. Investors should consider a fund's investment objectives, risks, charges, and expenses carefully before investing. The prospectus contains this and other information about a fund. To obtain a free prospectus, or summary prospectus, if available, please go to www.leggmason.com/individualinvestors, or contact your financial advisor. An investor should read the prospectus carefully before investing.

Please note that an investment in a money market fund is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

The Closed-End Funds are not sold or distributed by Legg Mason Investor Services, LLC ("LMIS") or any affiliate of Legg Mason, Inc. Shares of the funds are bought and sold through non-affiliated broker/dealers and trade on nationally recognized stock exchanges.

Legg Mason Investor Services, LLC and all entities mentioned above are subsidiaries of Legg Mason, Inc.

©2013 Legg Mason Investor Services, LLC, Member FINRA, SIPC

Section 1 – Income from Federal Obligations

Certain states may exempt the portion of dividends (reported in Box 1 on Form 1099-DIV) derived from assets backed by the full faith and credit of the U.S. Government.*

The table below provides the percentages of those dividends available for this exclusion.

Fund Name	Percentage
Legg Mason BW Global Opportunities Bond Fund	4.69%
Legg Mason BW International Opportunities Bond Fund	2.40
Legg Mason Investment Counsel Social Awareness Fund	5.05
Legg Mason Lifestyle Allocation 30%	5.19
Legg Mason Lifestyle Allocation 50%	4.65
Legg Mason Lifestyle Allocation 70%	3.50
Legg Mason Lifestyle Allocation 85%	2.18
Legg Mason Strategic Real Return Fund	17.18
Legg Mason Target Retirement 2015	4.35
Legg Mason Target Retirement 2020	3.72
Legg Mason Target Retirement 2025	2.96
Legg Mason Target Retirement 2030	1.78
Legg Mason Target Retirement Fund	4.75
Legg Mason Western Asset Core Bond Fund (a)	4.93
Legg Mason Western Asset Core Plus Bond Fund (b)	8.84
Legg Mason Western Asset Global Inflation Management Fund (c)	28.45
Western Asset Adjustable Rate Income Fund	3.49
Western Asset Core Bond Fund	11.15
Western Asset Core Plus Bond Fund	8.08
Western Asset Global Multi-Sector Fund	3.22
Western Asset Global Strategic Income Fund	2.59
Western Asset Government Reserves	63.56
Western Asset Inflation Indexed Plus Bond Fund **	84.40
Western Asset Inflation Management Fund Inc. (IMF) **	78.52
Western Asset Institutional Cash Reserves	1.79
Western Asset Institutional Government Reserves	52.45
Western Asset Institutional Liquid Reserves	1.72
Western Asset Institutional U.S. Treasury Reserves **	98.94
Western Asset Intermediate Bond Fund	11.43
Western Asset Limited Duration Bond Portfolio (d)	6.64
Western Asset Liquid Reserves	1.25
Western Asset Premium Liquid Reserves	1.40
Western Asset Premium U.S. Treasury Reserves **	99.28
Western Asset Short-Term Bond Fund	6.59
Western Asset SMASh Series M Fund	3.37
Western Asset Total Return Unconstrained Fund	9.72
Western Asset U.S. Treasury Reserves **	100.00

* Includes U.S. Treasury Bills, U.S. Treasury Notes, U.S. Treasury Bonds, and obligations issued by the Federal Home Loan Bank, Federal Credit Banks and the Student Loan Marketing Association.

** These Funds have met the quarterly asset requirements for California, Connecticut and New York resident shareholders.

- (a) Legg Mason Western Asset Core Bond Fund reorganized into Western Asset Core Bond Fund at the close of business on October 5th, 2012.
- (b) Legg Mason Western Asset Core Plus Bond Fund reorganized into Western Asset Core Plus Bond Fund at the close of business on October 5th, 2012.
- (c) Legg Mason Western Asset Global Inflation Management Fund reorganized into Western Asset Inflation Indexed Plus Bond Fund at the close of business on October 5th, 2012.
- (d) Western Asset Limited Duration Bond Portfolio reorganized into Western Asset Short-Term Bond Fund at the close of business on October 5th, 2012.

Section 2 – Exempt Interest Income – Multi-State Funds

In this section you will find information for the Western Asset multi-state funds that have paid income dividends which are tax-exempt for regular Federal income tax purposes.

	Western Asset Intermediate-Term Municipals Fund	Western Asset Managed Municipals Fund	Western Asset Municipal High Income Fund	Western Asset Short Duration Municipal Income Fund	Western Asset Institutional AMT Free Municipal Money Market Fund	Western Asset Institutional Tax Free Reserves and Western Asset Tax Free Reserves
Alabama	0.20%	0.67%	—%	1.49%	2.63%	2.88%
Alaska	—	0.17	—	0.82	0.54	0.32
Arizona	1.24	1.03	1.79	1.22	0.48	0.46
Arkansas	0.01	—	0.13	—	0.01	—
California	11.39	21.50	9.17	11.50	5.33	6.07
Colorado	2.91	2.24	3.84	3.22	4.43	3.39
Connecticut	0.66	1.41	3.92	1.61	0.77	1.09
Delaware	—	0.93	3.86	—	0.34	0.17
District of Columbia	0.38	0.26	0.26	0.70	1.04	0.69
Florida	8.57	10.75	1.49	8.43	3.41	3.82
Georgia	2.85	4.60	2.20	1.63	1.48	4.23
Guam	—	—	—	—	—	—
Hawaii	0.02	0.02	1.48	0.07	0.01	0.01
Idaho	—	—	—	—	—	—
Illinois	2.72	4.01	3.20	5.52	6.45	4.41
Indiana	3.41	1.34	1.71	4.00	2.65	3.90
Iowa	0.84	—	—	0.25	0.02	0.99
Kansas	0.34	0.08	—	0.47	0.79	0.42
Kentucky	1.33	0.74	1.82	0.49	1.15	1.86
Louisiana	0.62	0.63	0.30	0.26	2.56	1.78
Maine	—	—	—	—	0.13	0.14
Maryland	1.15	1.61	5.11	0.07	0.68	1.14
Massachusetts	1.00	2.70	3.13	1.24	3.75	2.75
Michigan	7.90	3.35	2.70	7.95	0.48	0.55
Minnesota	1.13	0.35	0.15	0.74	—	0.08
Mississippi	—	0.08	—	0.01	0.04	0.11
Missouri	0.93	1.50	0.41	0.13	1.10	1.97
Montana	—	0.72	0.30	—	0.19	0.07
Nebraska	—	0.27	1.00	0.21	—	—
Nevada	0.78	0.60	—	0.28	0.02	0.47
New Hampshire	0.02	0.21	—	0.46	0.09	0.73
New Jersey	4.66	6.12	2.33	4.93	12.70	13.24
New Mexico	1.18	0.53	0.95	0.48	0.40	—
New York	6.03	5.89	5.77	11.21	19.96	18.46
North Carolina	1.75	1.40	0.03	0.09	3.88	2.44
North Dakota	—	0.20	—	0.25	0.09	0.47
Ohio	3.15	0.90	1.63	3.97	2.97	0.76
Oklahoma	0.34	0.42	0.98	0.09	0.02	0.01
Oregon	0.43	1.16	0.04	1.33	0.79	1.03
Pennsylvania	4.72	3.63	6.54	7.05	6.32	6.71
Puerto Rico	6.91	4.66	3.73	0.26	0.07	0.02
Rhode Island	0.14	0.21	0.12	—	—	—
South Carolina	0.18	0.70	0.16	0.79	0.91	1.34
South Dakota	—	—	—	—	0.03	0.02
Tennessee	4.56	1.46	0.10	2.73	2.13	1.46
Texas	9.63	7.53	25.35	9.28	4.01	4.61
U.S. Virgin Islands	0.88	0.06	0.84	1.07	—	—
Utah	0.07	0.01	—	0.75	0.51	0.40
Vermont	0.04	0.12	—	—	0.09	0.06
Virginia	1.06	0.72	2.91	1.56	1.16	1.30
Washington	1.31	1.20	—	0.74	1.58	0.94
West Virginia	0.82	0.28	0.26	0.14	0.01	0.10
Wisconsin	1.12	0.78	0.29	0.51	1.71	2.13
Wyoming	0.62	0.25	—	—	0.09	—
Other U.S. Territories	—	—	—	—	—	—

Alternative Minimum Tax Percentages:	7.29%	5.71%	11.73%	9.17%	—%	16.39%
--------------------------------------	-------	-------	--------	-------	----	--------

Section 2 (continued) – Exempt Interest Income – Multi-State Funds

In this section you will find information for the Western Asset multi-state funds that have paid income dividends which are tax-exempt for regular Federal income tax purposes.

	Western Asset Municipal Money Market Fund (e)	Western Asset Intermediate Muni Fund Inc. (SBI)	Western Asset Managed Municipals Fund Inc. (MMU)	Western Asset Municipal Defined Opportunity Trust Inc. (MTT)	Western Asset Municipal High Income Fund Inc. (MHF)	Western Asset Municipal Partners Fund Inc. (MNP)
Alabama	—%	—%	—%	—%	—%	—%
Alaska	—	0.51	—	—	—	0.73
Arizona	0.52	2.11	4.58	3.02	1.68	1.31
Arkansas	—	0.16	—	—	0.47	—
California	17.60	8.14	13.42	1.60	5.39	15.43
Colorado	6.03	4.45	9.16	2.63	4.88	5.66
Connecticut	3.40	3.21	—	—	—	—
Delaware	—	—	—	—	4.03	—
District of Columbia	5.57	—	1.99	—	1.09	—
Florida	2.60	5.90	8.36	3.20	6.48	3.56
Georgia	5.16	5.65	3.63	7.82	3.86	—
Guam	—	—	—	—	—	—
Hawaii	—	—	0.89	—	2.60	—
Idaho	—	—	—	—	—	—
Illinois	10.19	2.35	6.16	0.67	1.96	12.49
Indiana	1.19	3.08	2.12	7.88	0.49	1.15
Iowa	0.34	0.11	—	—	—	—
Kansas	—	1.46	—	—	0.54	—
Kentucky	3.63	—	1.46	—	1.28	—
Louisiana	4.32	0.02	0.29	4.34	0.67	—
Maine	—	—	—	—	—	—
Maryland	1.61	0.20	0.98	3.64	1.93	2.87
Massachusetts	4.11	1.05	3.98	—	1.40	0.67
Michigan	2.81	9.05	1.95	13.66	7.32	4.65
Minnesota	—	—	0.21	—	—	—
Mississippi	0.45	—	—	—	—	—
Missouri	4.03	1.44	1.64	5.24	0.91	1.02
Montana	—	—	1.44	—	1.41	—
Nebraska	—	—	0.34	—	1.15	—
Nevada	0.16	2.43	1.74	—	—	0.72
New Hampshire	—	3.79	—	—	—	—
New Jersey	0.01	7.68	5.02	5.54	4.18	0.58
New Mexico	—	1.27	0.79	—	0.77	—
New York	2.79	3.71	8.87	4.02	2.30	18.79
North Carolina	3.90	0.98	0.69	0.01	0.01	1.66
North Dakota	—	—	0.68	—	—	—
Ohio	—	4.15	1.72	5.01	3.68	0.53
Oklahoma	—	1.50	—	—	1.64	1.00
Oregon	0.58	0.13	0.31	—	—	0.50
Pennsylvania	4.37	5.90	1.70	4.34	4.53	3.73
Puerto Rico	1.42	3.07	5.63	0.10	1.72	2.44
Rhode Island	—	0.69	0.89	4.89	—	0.20
South Carolina	1.01	0.68	0.34	—	—	—
South Dakota	—	—	—	—	—	—
Tennessee	2.01	4.27	0.15	2.80	1.47	2.57
Texas	4.42	4.87	8.37	12.19	23.28	12.21
U.S. Virgin Islands	—	—	—	2.33	1.73	—
Utah	0.08	0.36	—	—	—	—
Vermont	—	—	—	—	—	—
Virginia	3.55	3.53	0.49	0.42	3.20	—
Washington	2.14	0.68	—	—	—	3.56
West Virginia	—	—	—	—	1.34	—
Wisconsin	—	1.42	0.01	4.65	0.61	1.97
Wyoming	—	—	—	—	—	—
Other U.S. Territories	—	—	—	—	—	—

Alternative Minimum Tax Percentages:	17.49%	9.93%	10.86%	4.86%	16.98%	4.79%
---	--------	-------	--------	-------	--------	-------

(e) On June 22nd, 2012, Western Asset Municipal Money Market Fund redeemed all of its outstanding shareholders pursuant to a plan of liquidation.

Section 3 – Exempt Interest Income – Single State Funds

In this section you will find information for the Legg Mason and Western Asset single state funds that have paid income dividends which are tax-exempt for regular Federal income tax purposes.

Fund Name	Specified State	Percentage of Income from Obligations of Specified State	Percentage of Income from Obligations of Puerto Rico, U.S. Virgin Islands and Guam	Percentage of Income from Obligations of Other States	Alternative Minimum Tax Percentage
Legg Mason Investment Counsel Maryland Tax-Free Income Trust	Maryland	89.92%	10.08%	—%	5.02%
Western Asset California Municipals Fund	California	94.67	5.33	—	1.96
Western Asset Intermediate Maturity California Municipals Fund	California	84.76	15.24	—	1.32
Western Asset Intermediate Maturity New York Municipals Fund	New York	88.74	11.26	—	0.59
Western Asset Massachusetts Municipals Fund	Massachusetts	82.21	17.79	—	7.38
Western Asset New Jersey Municipals Fund	New Jersey	79.07	12.08	8.85	15.24
Western Asset New York Municipals Fund	New York	86.84	13.16	—	4.75
Western Asset Oregon Municipals Fund	Oregon	81.42	18.58	—	6.66
Western Asset Pennsylvania Municipals Fund	Pennsylvania	84.07	15.93	—	0.07
Western Asset California Municipal Money Market Fund (f)	California	96.17	3.83	—	20.59
Western Asset California Tax Free Money Market Fund	California	98.27	1.64	0.09	22.12
Western Asset Connecticut Municipal Money Market Fund	Connecticut	87.68	7.28	5.04	9.41
Western Asset New York Municipal Money Market Fund (g)	New York	91.44	8.56	—	15.65
Western Asset New York Tax Free Money Market Fund	New York	97.92	1.88	0.20	11.54

(f) On June 22nd, 2012, Western Asset California Municipal Money Market Fund redeemed all of its outstanding shareholders pursuant to a plan of liquidation.

(g) On June 22nd, 2012, Western Asset New York Municipal Money Market Fund redeemed all of its outstanding shareholders pursuant to a plan of liquidation.

Section 4 – Foreign Tax Credits

This information is provided for those shareholders electing to take the foreign tax credit for Federal income tax purposes.

Shareholders taking an itemized deduction for foreign taxes paid: Include the amount shown in Box 6 on Form 1099-DIV as an itemized deduction on Schedule A (Form 1040).

Shareholders electing to claim the Foreign Tax Credit on either Form 1116 (“Foreign Tax Credit”) for individuals, or Form 1118 (“Foreign Tax Credit - Corporations”) for corporate shareholders:

Please note that shareholders claiming a foreign tax credit on income passed through from a mutual fund are no longer required to report foreign source income and foreign taxes paid on a country-by-country basis. Please refer to the instructions for Form 1116 or consult your tax professional for further assistance.

Fund Name	Payable Date	Percentage of Income from Foreign Sources	Percentage of Income from Foreign Source Dividends ⁽³⁾
ClearBridge International All Cap Opportunity Fund	12/13/2012	100.00% ⁽¹⁾	100.00%
ClearBridge International Small Cap Opportunity Fund	6/14/2012	—	—
	12/12/2012 & 12/27/2012	75.91 ⁽²⁾	75.91
Legg Mason Batterymarch Emerging Markets Trust	6/19/2012	100.00 ⁽²⁾	100.00
	12/12/2012	97.14 ⁽²⁾	97.14
Legg Mason Batterymarch Global Equity Fund	12/27/2012	76.48 ⁽¹⁾	76.48
Legg Mason Batterymarch International Equity Trust	6/19/2012	98.95 ⁽²⁾	98.95
	12/27/2012	92.72 ⁽²⁾	92.72
Legg Mason Lifestyle Allocation 30%	Quarterly 3/2012 - 9/2012	—	—
	12/28/2012	10.12 ⁽²⁾	10.12
Legg Mason Lifestyle Allocation 50%	Quarterly 3/2012 - 9/2012	—	—
	12/28/2012	18.48 ⁽²⁾	18.48
Legg Mason Lifestyle Allocation 70%	6/19/2012	—	—
	12/28/2012	16.97 ⁽²⁾	16.97
Legg Mason Lifestyle Allocation 85%	6/19/2012	—	—
	12/28/2012	27.31 ⁽²⁾	27.31
Western Asset Global Government Bond Fund	6/19/2012	—	—
	12/27/2012	72.10 ⁽²⁾	—

(1) To determine your share of the Fund's foreign source income, multiply the total foreign source percentage indicated by the amount shown in Box 1a of Form 1099-DIV.

(2) To determine your share of the Fund's foreign source income, multiply the total foreign source percentage indicated by the distribution received on the indicated date.

Do not multiply this percentage by the amount shown on Box 1a of Form 1099-DIV.

(3) As a result of lower tax rates on qualified dividends, in computing your foreign tax credit, you must make certain adjustments based on your foreign source qualified dividends.

To compute your amount of foreign source qualified dividends, multiply the Percentage of Income from Foreign Source Dividends by the amount shown in Box 1a of Form 1099-DIV.

Section 5 – Dividends Received Deduction for Corporations

The list below provides **corporate shareholders** with the percentages of their gross ordinary dividends that qualifies for the dividends received deduction for corporations. Only those Funds that appear in this section have distributed income that qualifies for this deduction.

Fund Name	Payable Date	Qualifying Percentage	Payable Date	Qualifying Percentage
ClearBridge All Cap Value Fund	12/13/2012	100.00%	—	—
ClearBridge Appreciation Fund	12/27/2012	100.00	—	—
ClearBridge Equity Fund	Quarterly March - December	100.00	—	—
ClearBridge Equity Income Fund	3/30/2012	95.08	Quarterly June - December	100.00%
ClearBridge Large Cap Growth Fund	12/13/2012	100.00	—	—
ClearBridge Large Cap Value Fund	Quarterly March - December	100.00	—	—
ClearBridge Mid Cap Core Fund	12/31/2012	76.59	—	—
ClearBridge Mid Cap Growth Fund	12/13/2012	22.66	—	—
ClearBridge Tactical Dividend Income Fund	Quarterly March - September	52.65	12/27/2012	46.29
Legg Mason Batterymarch Global Equity Fund	12/27/2012	89.53	—	—
Legg Mason Batterymarch S&P 500 Index Fund	12/12/2012	100.00	—	—
Legg Mason Batterymarch U.S. Large Cap Equity Fund	12/12/2012	100.00	—	—
Legg Mason Batterymarch U.S. Small Capitalization Equity Portfolio	6/19/2012	100.00	12/27/2012	100.00
Legg Mason BW Diversified Large Cap Value Fund	12/12/2012	71.57	—	—
Legg Mason Capital Management All Cap Fund	1/12/2012	100.00	12/27/2012	100.00
Legg Mason Capital Management Disciplined Equity Research Fund (h)	12/13/2012	100.00 (i)	—	—
Legg Mason Capital Management Special Investment Trust	6/19/2012	100.00	12/12/2012	100.00
Legg Mason Capital Management Value Trust	12/12/2012	100.00	—	—
Legg Mason Investment Counsel Financial Services Fund	12/13/2012	100.00	—	—
Legg Mason Investment Counsel Social Awareness Fund	Quarterly March - December	100.00	—	—

(h) On December 21st, 2012, Legg Mason Capital Management Disciplined Equity Research Fund redeemed all of its outstanding shareholders pursuant to a plan of liquidation.

(i) Expressed as a percentage of the distribution paid reduced by a 7.98% tax return of capital.

Section 5 – Dividends Received Deduction for Corporations (continued)

The list below provides **corporate shareholders** with the percentages of their gross ordinary dividends that qualifies for the dividends received deduction for corporations. Only those Funds that appear in this section have distributed income that qualifies for this deduction.

Fund Name	Payable Date	Qualifying Percentage	Payable Date	Qualifying Percentage
Legg Mason Dynamic Multi-Strategy Fund	12/28/2012	46.20%	—	—%
Legg Mason Lifestyle Allocation 30%	3/30/2012	9.81	Quarterly June - December	13.39
Legg Mason Lifestyle Allocation 50%	3/30/2012	19.77	Quarterly June - December	26.94
Legg Mason Lifestyle Allocation 70%	6/19/2012	35.76	12/28/2012	47.19
Legg Mason Lifestyle Allocation 85%	6/19/2012	99.89	12/28/2012	64.05
Legg Mason Strategic Real Return Fund	6/19/2012	0.03	12/27/2012	14.73
Legg Mason Target Retirement 2015	12/28/2012	32.15	—	—
Legg Mason Target Retirement 2020	6/19/2012	41.67	12/28/2012	27.99
Legg Mason Target Retirement 2025	12/28/2012	31.20	—	—
Legg Mason Target Retirement 2030	12/28/2012	40.31	—	—
Legg Mason Target Retirement 2035	12/28/2012	53.56	—	—
Legg Mason Target Retirement 2040	12/28/2012	70.79	—	—
Legg Mason Target Retirement 2045	12/28/2012	70.38	—	—
Legg Mason Target Retirement 2050	12/28/2012	78.44	—	—
Legg Mason Target Retirement Fund	6/19/2012	7.05	12/28/2012	11.59
LMP Capital and Income Fund Inc. (SCD)	3/30/2012	57.54	Quarterly June - September	54.81
	12/21/2012	21.99	—	—
Permal Tactical Allocation Fund	6/19/2012	14.19	12/28/2012	14.19
Western Asset Global Partners Income Fund Inc. (GDF)	Monthly January - October	0.03	Monthly November - December	—
Western Asset High Income Fund II Inc. (HIX)	Monthly January - April	0.09	Monthly May - December	—
Western Asset Managed High Income Fund Inc. (MHY)	Monthly January - February	0.12	Monthly March - December	—
Western Asset Variable Rate Strategic Fund Inc. (GFY)	Monthly January - February	0.03	3/30/2012	0.01
	Monthly April - December	—	—	—