LEGG MASON, INC.
Form 11-K
June 26, 2013
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# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, DC 20549**

# FORM 11-K

**(Mark One):**

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2012**

**OR**

¨ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from __________ to __________.**

**Commission file number 1-8529**

**The Legg Mason**

**Profit Sharing and 401(k) Plan and Trust**

**(Full title of the plan and the address of the plan, if different from that of the issuer named below)**

**Legg Mason, Inc.**

**100 International Drive**

**Baltimore, Maryland 21202**

**(Name of issuer of the securities held pursuant to the plan and the address of its principal executive office)**

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REQUIRED INFORMATION.

Item 4. Plan Financial Statements and Schedules prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

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**THE LEGG MASON PROFIT SHARING**

**AND 401(k) PLAN AND TRUST**

**Financial Statements**

**Together with Report of**

**Independent Registered Public Accounting Firm**

**As of December 31, 2012 and 2011 and**

**For the Year Ended December 31, 2012**

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* The other supplemental schedules required by 29 CFR 2520.103-10 of the Department of Labor s Rules and Regulations for Reporting and Disclosure under ERISA have been omitted, as they are not applicable.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Participants and Investment Committee of

The Legg Mason Profit Sharing and 401(k) Plan and Trust:

We have audited the accompanying statements of net assets available for benefits of The Legg Mason Profit Sharing and 401(k) Plan and Trust (the Plan) as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the year ended December 31, 2012. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2012 and 2011, and the changes in net assets available for benefits for the year ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held at end of year as of December 31, 2012 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan s management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Stout, Causey & Horning, P.A.

Sparks, Maryland

June 21, 2013

A Member of SC&H Group, LLC

Phone: (410) 403-1500 ¿ Toll Free: (800) 832-3008 ¿ Fax: (410) 403-1570 ¿ Web: www.SCandH.com

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**THE LEGG MASON PROFIT SHARING**

**AND 401(k) PLAN AND TRUST**

**Statements of Net Assets Available for Benefits**

| *As of December 31,* | *2012* | *2011* |
|---|---|---|
| Assets | | |
| Cash | $ 272,577 | $ 247,701 |
| Investments, at fair value: | | |
| Participant-directed investments | 287,043,636 | 283,843,561 |
| Receivables | | |
| Company contributions receivable | 6,635,649 | 7,185,866 |
| Notes receivable from participants | 3,404,419 | 3,286,090 |
| Total Receivables | 10,040,068 | 10,471,956 |
| Total Assets | 297,356,281 | 294,563,218 |
| Liabilities | | |
| Net Assets Available for Benefits | $ 297,356,281 | $ 294,563,218 |

*The accompanying notes are an integral part of these financial statements.*

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**THE LEGG MASON PROFIT SHARING**

**AND 401(k) PLAN AND TRUST**

**Statement of Changes in Net Assets Available for Benefits**

**For the Year Ended December 31, 2012**

| | |
|---|---|
| Changes in Net Assets Available for Benefits Attributable to: | |
| Contributions | |
| Company | $ 6,635,649 |
| Participants | 12,662,029 |
| Rollovers | 500,184 |
| Total Contributions | 19,797,862 |
| Investment Income (Loss) | |
| Interest and dividend income | 7,993,326 |
| Net appreciation in fair value of investments (Notes 2 and 3) | 32,962,058 |
| Total Investment Income | 40,955,384 |
| Interest Income on Notes Receivable from Participants | 129,897 |
| Benefits Paid to Participants | (58,082,370) |
| Administrative Expenses | (7,710) |
| Net Increase in Net Assets Available for Benefits | 2,793,063 |
| Net Assets Available for Benefits: | |
| Beginning of the Year | 294,563,218 |
| End of the Year | $ 297,356,281 |

*The accompanying notes are an integral part of this financial statement.*

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**THE LEGG MASON PROFIT SHARING**

**AND 401(k) PLAN AND TRUST**

**Notes to the Financial Statements**

**As of December 31, 2012 and 2011 and**

**For the Year Ended December 31, 2012**

**1. DESCRIPTION OF THE PLAN**

The following description of The Legg Mason Profit Sharing and 401(k) Plan and Trust (the Plan) provides only general information. Participants should refer to the Plan agreement for a complete description of the Plan s provisions.

**General**

The Plan, which was established on December 30, 1960, is a defined contribution plan covering substantially all employees of Legg Mason & Co., LLC (LM & Co.) and affiliated participating companies (the Company) with the exception of leased and temporary employees. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and was most recently amended effective June 1, 2013 (Note 7). An employee becomes eligible to participate in the Plan on his or her date of hire. Participants are immediately eligible to participate in the portion of the Plan that relates to voluntary participant contributions and Company matching contributions. Full-time participants are eligible to participate in the portion of the Plan relating to discretionary Company profit sharing contributions on January 1 following the date of employment. Part-time participants are eligible to participate in the portion of the Plan relating to discretionary Company profit sharing contributions on the earlier of (a) the January 1 following the first calendar year the participant completed 1,000 hours of service, as defined by the Plan, or (b) the January 1 or July 1 following the first anniversary of the employment start date if the participant completed 1,000 hours of service, as defined by the Plan, in the first year of employment. Participants may only receive Company profit sharing contributions if they were employed on the last day of the Plan year, or have retired, died, or become disabled during the Plan year.

Affiliated companies and their effective dates of adoption of the Plan are as follows:

Howard, Weil, Labouisse, Friedrichs, Incorporated (January 1, 1989)

Bartlett & Co. (January 1, 1996 through February 29, 2012, as described below)

Citigroup, Inc. (December 1, 2005)

Brandywine Global Investment Management, LLC (July 1, 2008)

Private Capital Management, L.P. (January 1, 2011)

Effective February 29, 2012, Legg Mason, Inc. sold the assets of Bartlett & Co. (Bartlett), a Cincinnati-based wealth manager. Bartlett employees were terminated from the Plan on March 1, 2012 and were subject to all Plan regulations applicable to terminated employees.

**Participant Contributions**

Contributions by employees are voluntary and may be composed of all or any of the following:

A. A rollover of accumulated deductible employee contributions as contemplated by Section 408(d)(3) of the Internal Revenue Code (the Code).

**THE LEGG MASON PROFIT SHARING**

**AND 401(k) PLAN AND TRUST**

**Notes to the Financial Statements**

**As of December 31, 2012 and 2011 and**

**For the Year Ended December 31, 2012**

**1. DESCRIPTION OF THE PLAN cont d.**
**Participant Contributions cont d.**

B. A voluntary pre- and post-tax compensation deferral whereby the participant may elect to defer, in the form of Company contributions to the Plan on the participant s behalf, compensation that would otherwise have been paid to the participant during the Plan year. This compensation deferral, if elected, cannot be less than 1% and not more than 100% of the compensation that would otherwise have been paid to the participant during the Plan year. Participant contributions may not exceed the maximum allowable contribution under the Code. The maximum allowable contribution totaled $17,000 for the year ended December 31, 2012. Participants who have attained age 50 before the end of the Plan year may make additional catch-up contributions, subject to limitations imposed by the Code.

**Company Contributions**

The Company may make a discretionary matching contribution on an annual basis to all eligible employees. During 2012, the Company matched 50% of the participant contributions up to 6% of annual earnings up to a maximum matching contribution of $5,000 per participant. Company matching contributions for 2012 totaled $3,608,633.

Additionally, the Company, upon approval of the Board of Managers, may make discretionary profit sharing contributions to the Plan. The Company approved a discretionary profit sharing contribution for 2012 of $3,027,016, in addition to $119,543 of reallocated forfeitures.

These Company contributions were remitted to the Plan subsequent to December 31, 2012, and accordingly, are included as contributions receivable in the accompanying statement of net assets available for benefits as of December 31, 2012.

**Participant Accounts**

Each participant s account is participant-directed and credited with the participant s contributions and an allocation of (a) the Company s contributions and (b) Plan earnings/losses. Allocations are based on participant earnings or account balances, as defined by the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

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**AND 401(k) PLAN AND TRUST**

**Notes to the Financial Statements**

**As of December 31, 2012 and 2011 and**

**For the Year Ended December 31, 2012**

**1. DESCRIPTION OF THE PLAN cont d.**
**Vesting**

Participants are immediately vested in deferral contributions, rollover contributions, and income earned thereon. Participants are also immediately vested in the Company s discretionary matching contributions. Vesting in the Company s discretionary profit sharing contributions is based on years of continuous service as presented in the following chart:

| Years of Service | Percentage Vested |
|---|---|
| Less than 2 | 0% |
| 2 | 25% |
| 3 | 50% |
| 4 | 75% |
| 5 | 100% |

With respect to any PCM participants who had an account balance in the PCM Plan as of December 31, 2010, from and after the merger date of January 1, 2011, the vesting schedule and the calculation of years of service for vesting purposes under the PCM Plan shall apply to all such PCM participants. For these PCM participants, vesting in the Company s discretionary profit sharing contributions is based on years of continuous service as presented in the following chart:

| Years of Service | Percentage Vested |
|---|---|
| Less than 1 | 0% |
| 1 | 20% |
| 2 | 40% |
| 3 | 60% |
| 4 | 80% |
| 5 | 100% |

A participant s account becomes 100% vested in discretionary profit sharing contributions, regardless of years of service, at age 62 or in the event of permanent disability, death, or by reason of, and as part of, a partial Plan termination.

**THE LEGG MASON PROFIT SHARING**

**AND 401(k) PLAN AND TRUST**

**Notes to the Financial Statements**

**As of December 31, 2012 and 2011 and**

**For the Year Ended December 31, 2012**

**1. DESCRIPTION OF THE PLAN cont d.**

**Forfeitures**

Terminating participants of the Plan are paid the current value of the vested balance in their Plan account as soon as administratively feasible. Unvested amounts are forfeited and are used to pay Plan expenses or are reallocated to continuing participants as additional Company contributions in the year in which they are forfeited. As of December 31, 2012 and 2011, unallocated forfeitures totaled $119,543 and $325,729, respectively. Forfeitures are allocated in subsequent years based on the respective profit sharing allocations. During 2012, $376,281 in forfeitures were credited to participant accounts.

**Payment of Benefits**

Benefit payments are available to participants upon termination of employment, retirement, death, attainment of age 59 $^1/_2$ or disability. Participants are entitled to a benefit equal to the vested portion of their account which will be distributed in the form of a lump sum payment unless the participant elects another option, as provided by the Plan. Upon proof, to the satisfaction of the Plan administrator, of an immediate and heavy financial need, amounts contributed by the participant may be withdrawn for a hardship purpose. Distributions are subject to the applicable provisions of the Plan agreement. Certain income taxes and penalties may apply to withdrawals or distributions prior to age 59 $^1/_2$. Net assets of the Plan allocated to the accounts of participants who had elected to withdraw from the Plan that had not received such distributions as of December 31, 2012 and 2011 totaled $272,577 and $247,701, respectively.

**Notes Receivable from Participants**

Participants may borrow up to 50% of their vested account balance, in amounts of at least $1,000 but not more than $50,000, less the highest outstanding note balance during the preceding twelve months. Three notes may be outstanding at any given time. The notes are collateralized by the vested balance in the participant s account. Notes for any purpose other than the purchase of a primary residence must be repaid within 5 years. Notes accrue interest at a rate commensurate with prevailing market rates on the date of issuance, as determined by the Plan. The Company has the authority to deny participant notes to any director or executive officer to the extent necessary to conform to the Sarbanes Oxley Act of 2002. The Company has the right to discontinue the policy of extending notes to participants; however, it may not affect the terms or provisions of any notes outstanding at that time.

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**THE LEGG MASON PROFIT SHARING**

**AND 401(k) PLAN AND TRUST**

**Notes to the Financial Statements**

**As of December 31, 2012 and 2011 and**

**For the Year Ended December 31, 2012**

**1. DESCRIPTION OF THE PLAN cont d.**

**Plan Expenses**

Administrative and operational expenses of the Plan are to be paid by the Trustee with Plan assets unless the Company elects to pay them. For the year ended December 31, 2012, the majority of expenses of the Plan were paid by the funds revenue sharing arrangements with Merrill Lynch through an allocation of the Plan s ERISA Account/Budget. ERISA accounts represent a compromise made by plan sponsors that do not want to pay plan expenses themselves, however, want to ensure the participant fees are reasonable. The accounts are used to re-distribute excess Plan paid expenses to pay other expenses of the Plan. Such expenses are often indirect compensation in nature and are captured as a component of net appreciation (depreciation) in fair value of investments in the accompanying statement of changes in net assets available for benefits. Loan and distribution fees are paid by the Plan and its participants. Investment related expenses are included in net appreciation (depreciation) in fair value of investments.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of the Plan are prepared on the accrual basis of accounting.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from Plan assets during the reporting period. Actual results could differ from those estimates.

**Risks and Uncertainties**

The Plan provides for investments in financial instruments that are exposed to risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities may occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

**Investment Valuation and Income Recognition**

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont d.**

**Recently Issued Accounting Pronouncement**

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2011-04

(ASU 2011-04) entitled *Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. ASU 2011-04 was issued to converge fair value measurement and disclosure guidance in U.S. GAAP with the guidance in the International Accounting Standards Board s currently issued International Financial Reporting Standard 13, *Fair Value Measurement.* The amendments in ASU 2011-04 generally represent clarification to Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, but also include some instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. For non-public entities, ASU 2011-04 is effective for annual reporting periods beginning after December 15, 2011. The Plan s adoption of ASU 2011-04 did not have a material impact on the Plan s financial statements in 2012.

**Fair Value Measurements**

ASC 820, *Fair Value Measurement*, defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

Quoted prices for similar assets or liabilities in active markets;

Quoted prices for identical or similar assets or liabilities in inactive markets;

Inputs other than quoted prices that are observable for the asset or liability;

Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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**As of December 31, 2012 and 2011 and**

**For the Year Ended December 31, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont d.**
**Fair Value Measurements cont d.**

The asset s or liability s fair value measurement level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

*Interests in registered investment companies*: Valued at the closing price reported in the active market in which the funds are traded.

*Money market deposit:* Valued at cost plus accrued interest, which approximates fair value.

*Common stock:* Valued at unadjusted quoted market share price within active markets.

*Unitized fund:* Valued at fair value based on the unit value of the fund. Unit value is determined by the institution sponsoring such fund by dividing the fund s net assets at fair value by its units outstanding at the valuation dates.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2012 and 2011.

The following table sets forth by level, within the fair value hierarchy, the Plan s investments at fair value as of December 31, 2012:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Interests in registered investment companies - blended | $ 12,792,074 | $ | $ | $ 12,792,074 |
| Interests in registered investment companies - equity | 212,192,622 | | | 212,192,622 |
| Interests in registered investment companies - fixed income | 53,012,970 | | | 53,012,970 |
| Money market deposit | 2,019,196 | | | 2,019,196 |
| Common stock | 488,035 | | | 488,035 |
| Unitized fund | | 6,538,739 | | 6,538,739 |
| Total investments, at fair value | $ 280,504,897 | $ 6,538,739 | $ | $ 287,043,636 |

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**THE LEGG MASON PROFIT SHARING**

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**Notes to the Financial Statements**

**As of December 31, 2012 and 2011 and**

**For the Year Ended December 31, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES cont d.**
**Fair Value Measurements cont d.**

The following table sets forth by level, within the fair value hierarchy, the Plan s investments at fair value as of December 31, 2011:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Interests in registered investment companies - blended | $ 11,848,959 | $ | $ | $ 11,848,959 |
| Interests in registered investment companies - equity | 205,579,005 | | | 205,579,005 |
| Interests in registered investment companies - fixed income | 59,067,910 | | | 59,067,910 |
| Common stock | 456,347 | | | 456,347 |
| Unitized fund | | 6,891,340 | | 6,891,340 |
| Total investments, at fair value | $ 276,952,221 | $ 6,891,340 | $ | $ 283,843,561 |

The Plan has adopted the updated GAAP valuation standard related to investment in certain entities that do not have a readily determined fair value. This guidance allows the fair value measurements for this fund s investments to be based on reported net asset value ( NAV ) if certain criteria are met and establishes additional disclosures related to these investments. The Plan s investment in the unitized fund is fair valued based on the reported unit value as of year-end. Due to the nature of the investment, the redemption frequency is daily and there are no redemption notices.

**Payment of Benefits**

Benefits are recorded when paid.

**Notes Receivable from Participants**

Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent notes are treated as distributions based on the terms of the Plan agreement.

**Subsequent Events**

The Plan evaluated for disclosure any subsequent events through the report issuance date and determined there were no material events that warrant disclosure, except as disclosed in Note 7.

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**THE LEGG MASON PROFIT SHARING**

**AND 401(k) PLAN AND TRUST**

**Notes to the Financial Statements**

**As of December 31, 2012 and 2011 and**

**For the Year Ended December 31, 2012**

**3. INVESTMENTS**

Upon enrollment in the Plan, a participant may direct his/her account balance into any of the investment options listed on the schedule of assets (held at end of year). Subject to certain limitations by the funds, participants may change their investment options and transfer amounts between investment options daily.

The fair value of individual investments that represent 5% or more of the Plan s net assets available for benefits are as follows as of December 31,:

| | 2012 | 2011 |
|---|---|---|
| American EuroPacific Growth Fund, R6, 449,586 shares | * | $ 15,793,950 |
| Legg Mason Capital Management Opportunity Trust, Institutional Class, 1,373,598 shares | $ 15,123,318 | * |
| Legg Mason Capital Management Special Investment Trust, Institutional Class, 504,995 and 607,230 shares, respectively | 20,497,762 | 21,216,607 |
| Legg Mason Capital Management Value Trust, Institutional Class, 704,038 and 841,436 shares, respectively | 35,314,556 | 36,838,076 |
| Western Asset Institutional Liquid Reserves Fund, Class A, 17,203,990 and 21,377,741 shares, respectively | 17,203,990 | 21,377,741 |

* Represents less than 5% of the Plan s net assets available for benefits at end of year

During 2012, the Plan s investments at fair value (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

| | |
|---|---|
| Interests in registered investment companies | $ 32,326,674 |
| Common stock | 31,688 |
| Unitized fund | 603,696 |
| | $ 32,962,058 |

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**THE LEGG MASON PROFIT SHARING**

**AND 401(k) PLAN AND TRUST**

**Notes to the Financial Statements**

**As of December 31, 2012 and 2011 and**

**For the Year Ended December 31, 2012**

## 4. INCOME TAX STATUS

The Internal Revenue Service (IRS) has determined and informed the Company by a determination letter, dated March 15, 2012, that the Plan and related trust are designed in accordance with applicable sections of the Code. Although the Plan has been amended since the amendments covered in the determination letter, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code. Therefore, no provision for income taxes has been included in the Plan s financial statements.

ASC 740, *Income Taxes*, prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return as well as guidance on de-recognition, classification, interest and penalties and financial statement reporting disclosures. For these benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. As the Plan is tax exempt and has no unrelated business income, these provisions of ASC 740 do not have an impact on the Plan s financial statements. The Plan recognizes interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense. The Plan does not have any amounts accrued relating to interest and penalties as of December 31, 2012 and 2011.

The Plan is subject to routine audits by the IRS and Department of Labor; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for Plan years prior to 2009.

## 5. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their accounts.

## 6. OTHER MATTERS

The Plan invests in shares of Legg Mason, Inc. common stock, which qualifies as a party-in-interest transaction, through two plan alternatives, one of which is a unitized fund consisting primarily of shares of the common stock of Legg Mason, Inc. The other consists of common stock transferred in from a prior plan. The market value of Legg Mason, Inc. common stock at December 31, 2012 and 2011 was $488,035 (18,975 shares) and $456,347 (18,975 shares), respectively.

Cash balances maintained by the Plan and the Legg Mason, Inc. common stock directly owned by the Plan were held by Merrill Lynch in investment accounts. The shares of common stock held by the unitized Legg Mason Common Stock Fund are held by Wells Fargo Bank.

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**For the Year Ended December 31, 2012**

**6. OTHER MATTERS cont d.**

Sales of 217,838 units with aggregate proceeds of $3,522,815, and purchases of 155,061 units with an aggregate purchase price of $2,566,518 of the Legg Mason Common Stock Fund units were made during 2012. The market value of the Legg Mason Common Stock Fund at December 31, 2012 and 2011 was $6,538,739 (536,821 units) and $6,891,340 (599,598 units), respectively.

Legg Mason Investor Services serves as distributor for the Legg Mason funds held by the Plan. Additionally, certain affiliated participating and non-participating companies act as manager or investment advisor for the Legg Mason funds. The Legg Mason funds in the Plan qualify as a party-in-interest transaction.

The Plan invests in shares of funds managed by Bank of America, N.A. and in Legg Mason, Inc. Common Stock. Bank of America, N.A. acts as Custodian of the Plan and LM & Co. is the Plan sponsor. The Plan allows participants to take out loans against their vested account balances. The Company provides the Plan with certain accounting and administrative services for which no fees are charged. All such transactions qualify as party-in-interest transactions, which are exempt from the prohibited transaction rules.

**7. SUBSEQUENT EVENTS**

Effective January 1, 2013, the Plan was amended to incorporate a new Company matching contribution formula. The formula is a 100% match on the first 3% of eligible compensation and 50% match on the next 3% of compensation up to a maximum annual match of $10,000 per participant. The match will be funded to participants accounts with each Company pay period. The new match formula also allows for a true-up provision at the end of the Plan year whereby participants who have elected to change their deferral percentages throughout the year may not be maximizing the Company match. The true-up provision allows the Company to make up for any match that may not have been realized as a result of the participants actions with their deferral rates during the Plan year.

Effective June 1, 2013, the Plan was amended to adopt LMM LLC as a participating company, and the Plan became a multiemployer Plan.

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**Notes to the Financial Statements**

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SUPPLEMENTAL SCHEDULE PROVIDED

PURSUANT TO THE DEPARTMENT OF LABOR S

RULES AND REGULATIONS

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**THE LEGG MASON PROFIT SHARING**

**AND 401(k) PLAN AND TRUST**

**EIN#: 20-3171699**

**Plan #: 001**

**Schedule H, line 4i - Schedule of Assets (Held at End of Year)**

**As of December 31, 2012**

| (a) | (b) Identity of issue, borrower, lessor, or similar party | (c) Description of investment (including maturity date, rate of interest, collateral, par, or maturity value) | (d) **Cost | No. of Shares | (e) Current Value |
|---|---|---|---|---|---|
| | Dodge and Cox Balanced Fund | Interests in Registered Investment Company - Blended | ** | 86,051 | $ 6,717,152 |
| * | Legg Mason Partners Target Retirement 2015 - Institutional | Interests in Registered Investment Company - Blended | ** | 26,317 | 306,599 |
| * | Legg Mason Partners Target Retirement 2020 - Institutional | Interests in Registered Investment Company - Blended | ** | 87,555 | 1,096,193 |
| * | Legg Mason Partners Target Retirement 2025 - Institutional | Interests in Registered Investment Company - Blended | ** | 80,210 | 994,600 |
| * | Legg Mason Partners Target Retirement 2030 - Institutional | Interests in Registered Investment Company - Blended | ** | 73,562 | 892,302 |
| * | Legg Mason Partners Target Retirement 2035 - Institutional | Interests in Registered Investment Company - Blended | ** | 73,841 | 881,665 |
| * | Legg Mason Partners Target Retirement 2040 - Institutional | Interests in Registered Investment Company - Blended | ** | 90,449 | 1,095,341 |
| * | Legg Mason Partners Target Retirement 2045 - Institutional | Interests in Registered Investment Company - Blended | ** | 43,124 | 518,784 |
| * | Legg Mason Partners Target Retirement 2050 - Institutional | Interests in Registered Investment Company - Blended | ** | 19,456 | 235,609 |
| * | Legg Mason Partners Target Retirement Fund - Institutional | Interests in Registered Investment Company - Blended | ** | 4,063 | 53,829 |
| | | | | | 12,792,074 |
| | American EuroPacific Growth Fund, R6 | Interests in Registered Investment Company - Equity | ** | 358,145 | 14,748,431 |
| | American Growth Fund of America, R6 | Interests in Registered Investment Company - Equity | ** | 290,697 | 9,982,523 |
| | American Washington Mutual Investors, R6 | Interests in Registered Investment Company - Equity | ** | 211,402 | 6,597,841 |
| | Davis Opportunity Fund, Class Y | Interests in Registered Investment Company - Equity | ** | 208,869 | 5,031,658 |
| * | ClearBridge Aggressive Growth, Institutional Class | Interests in Registered Investment Company - Equity | ** | 65,443 | 8,892,415 |
| * | ClearBridge Appreciation, Institutional Class | Interests in Registered Investment Company - Equity | ** | 234,699 | 3,661,302 |

| | | | | | |
|---|---|---|---|---|---|
| * | ClearBridge Equity Income Fund, Institutional Class | Interests in Registered Investment Company - Equity | ** | 371,411 | 5,597,165 |
| * | ClearBridge Large Cap Value Fund, Institutional Class | Interests in Registered Investment Company - Equity | ** | 12,710 | 256,361 |
| * | ClearBridge Mid-Cap Core, Institutional Class | Interests in Registered Investment Company - Equity | ** | 63,223 | 1,568,557 |
| * | ClearBridge Small Cap Growth, Institutional Class | Interests in Registered Investment Company - Equity | ** | 32,883 | 686,926 |
| * | ClearBridge Small Cap Value Trust, Institutional Class | Interests in Registered Investment Company - Equity | ** | 162,809 | 3,300,148 |
| | Franklin Small-Mid Cap Growth Fund, Advisor Class | Interests in Registered Investment Company - Equity | ** | 146,438 | 5,166,323 |
| * | Legg Mason Batterymarch Emerging Markets, Institutional Class | Interests in Registered Investment Company - Equity | ** | 179,959 | 3,816,926 |
| * | Legg Mason Batterymarch International Equity Institutional Class | Interests in Registered Investment Company - Equity | ** | 514,879 | 6,430,834 |
| * | Legg Mason Brandywine Diversified Large Cap Value Fund, Institutional Class | Interests in Registered Investment Company - Equity | ** | 21,863 | 332,968 |
| * | Legg Mason Capital Management Growth Trust, Institutional Class | Interests in Registered Investment Company - Equity | ** | 128,303 | 3,275,583 |
| * | Legg Mason Capital Management Opportunity Trust, Institutional Class | Interests in Registered Investment Company - Equity | ** | 1,373,598 | 15,123,318 |
| * | Legg Mason Capital Management Special Investment Trust, Institutional Class | Interests in Registered Investment Company - Equity | ** | 504,995 | 20,497,762 |
| * | Legg Mason Capital Management Value Trust, Institutional Class | Interests in Registered Investment Company - Equity | ** | 704,038 | 35,314,556 |
| * | Legg Mason Esemplia Emerging Markets Equity, Institutional Class | Interests in Registered Investment Company - Equity | ** | 79,500 | 1,337,982 |
| * | Private Capital Management Value Fund, Institutional Class | Interests in Registered Investment Company - Equity | ** | 835,632 | 9,918,951 |
| * | Royce Global Value Fund, Investment Class | Interests in Registered Investment Company - Equity | ** | 75,721 | 977,556 |
| * | Royce Pennsylvania Mutual Fund, Investment Class | Interests in Registered Investment Company - Equity | ** | 1,202,038 | 13,823,436 |
| * | Royce Special Equity Fund, Institutional Class | Interests in Registered Investment Company - Equity | ** | 25,325 | 532,322 |
| * | Royce Total Return Fund, Institutional Class | Interests in Registered Investment Company - Equity | ** | 21,564 | 292,188 |
| | SSGA S&P 500 Index Fund | Interests in Registered Investment Company - Equity | ** | 633,777 | 14,659,267 |
| | T Rowe Price Small Cap Stock Fund | Interests in Registered Investment Company - Equity | ** | 257,353 | 8,757,730 |
| | Templeton World Fund Advantage | Interests in Registered Investment Company - Equity | ** | 739,121 | 11,611,593 |
| | | | | | 212,192,622 |
| | Eaton Vance Income Fund of Boston, Institutional Class | Interests in Registered Investment Company - Fixed Income | ** | 515,152 | 3,096,061 |
| * | Legg Mason Brandywine Global Opportunities Fund - Institutional | Interests in Registered Investment Company - Fixed Income | ** | 104,845 | 1,227,739 |
| | PIMCO Foreign Bond | Interests in Registered Investment Company - Fixed Income | ** | 289,913 | 3,128,157 |
| | PIMCO Total Return | Interests in Registered Investment Company - Fixed Income | ** | 985,959 | 11,082,182 |
| * | Western Asset Core Plus, Institutional Class | Interests in Registered Investment Company - Fixed Income | ** | 695,703 | 8,118,856 |
| * | Western Asset Inflation Indexed Plus Bond Fund, Institutional Class | Interests in Registered Investment Company - Fixed Income | ** | 103,444 | 1,265,120 |
| * | Western Asset Institutional Liquid Reserves Fund, Class A | Interests in Registered Investment Company - Fixed Income | ** | 17,203,990 | 17,203,990 |
| * | | | ** | 138,424 | 1,706,892 |

| | | | | | |
|---|---|---|---|---|---|
| | Western Corporate Bond Fund, Institutional Class | Interests in Registered Investment Company - Fixed Income | | | |
| * | Western High Income, Institutional Class | Interests in Registered Investment Company - Fixed Income | ** | 457,903 | 2,884,787 |
| * | Western Short-Term Bond Fund, Institutional Class | Interests in Registered Investment Company - Fixed Income | ** | 839,487 | 3,299,186 |
| | | | | | 53,012,970 |
| * | Legg Mason Retirement Bank Account | Money Market Deposit | ** | 2,019,196 | 2,019,196 |
| * | Legg Mason, Inc. Common Stock | Common Stock | ** | 18,975 | 488,035 |
| * | Legg Mason Common Stock Fund | Unitized Fund | ** | 536,821 | 6,538,739 |
| * | Participant loans | Interest rates range from 4.25% to 10.50%, maturing through December 2017 | $ | | 3,404,419 |

* Denotes a party-in-interest, as defined by ERISA

** Participant directed investment, therefore, no cost basis required

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**THE LEGG MASON PROFIT SHARING**

**AND 401(k) PLAN AND TRUST**

**Notes to the Financial Statements**

**As of December 31, 2012 and 2011 and**

**For the Year Ended December 31, 2012**

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the plan administrator, who administers the employee benefit plan, has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: June 26, 2013

THE LEGG MASON PROFIT SHARING AND
401(k) PLAN AND TRUST

By: /s/ Brian K. Becker
Brian K. Becker
Plan Administrator

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**THE LEGG MASON PROFIT SHARING**

**AND 401(k) PLAN AND TRUST**

**Notes to the Financial Statements**

**As of December 31, 2012 and 2011 and**

**For the Year Ended December 31, 2012**

EXHIBIT INDEX

| Exhibit No. | |
|---|---|
| 23 | Consent of Stout, Causey & Horning, P.A. |