LEGG MASON
GLOBAL ASSET MANAGEMENT

News Release

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Legg Mason Announces New Capital Plan

Refinancing and Debt Reduction Enhances Financial Flexibility

Board Authorizes Additional Share Repurchases From Future Operating Cash Flow

Baltimore, Maryland - May 16, 2012 - Legg Mason, Inc. (NYSE: LM) announced today a new capital plan which includes the refinancing of $1.25 billion of convertible senior notes.

The Company expects to use $250 million to be drawn on its existing revolving credit facility, other borrowings and cash on hand to repurchase the $1.25 billion convertible senior notes held by a fund managed by Kohlberg Kravis Roberts & Co. L.P. (KKR). This will result in a net reduction in outstanding debt. The terms of the repurchase include repayment at par, a prepayment fee of $6.25 million and the issuance of new warrants with terms that replicate and extend the contingent conversion feature of the KKR notes. The warrants provide for the purchase of approximately 14.2 million shares of common stock at $88 per share, subject to customary anti-dilution adjustments and will expire in July 2017. The Company expects to record a non-cash GAAP charge of approximately $70 to $80 million in the Company's first fiscal quarter from the early extinguishment of the convertible senior notes. Beginning in the second quarter of Fiscal 2013 and thereafter, the Company expects that the transactions will be accretive on a GAAP basis. As part of this transaction, Scott Nuttall of KKR will step down from the Legg Mason Board of Directors.

Additionally, Legg Mason's Board of Directors has authorized $1.0 billion for additional share repurchases. The plan provides for deployment during the quarter of the remaining $155 million in stock buybacks previously authorized by the Board and using up to 65% of cash generated from operations, beginning with Fiscal 2013, to repurchase shares, subject to market conditions. This could lead to the full $1.0 billion in new buyback authorization being utilized over the next three fiscal years by the Company. The plan also contemplates refinancing and extending the existing $500 million revolving credit facility with a new credit facility. The plan is conditioned on the Company's ability to obtain financing on acceptable terms.

"We are pleased to announce this plan as part of our broader efforts to enhance financial flexibility and position Legg Mason for sustained growth," said Mark Fetting, Legg Mason's Chairman and CEO. "Specifically, we will improve our capital structure by reducing gross debt by $350 million immediately. At the same time we are refinancing debt maturing in 2015 with longer debt maturities from a diverse investor base and multiple sources. With this efficient capital structure, we will also have flexibility to return a significant portion of the cash we generate to our shareholders when it is appropriate to do so. This, along with ongoing expense management and strategic investments in organic growth and targeted acquisitions, is yet another tangible step towards creating long term shareholder value.

"I would like to thank Scott Nuttall for his contributions as a member of the Legg Mason Board. During his tenure, he and his colleagues at KKR contributed a number of insights based on their industry knowledge and we were pleased to have him as a director," concluded Mr. Fetting.

About Legg Mason

Legg Mason is a global asset management firm, with $639 billion in assets under management as of April 30, 2012. The Company provides active asset management in many major investment centers throughout the

world. Legg Mason is headquartered in Baltimore, Maryland. Its common stock is listed on the New York Stock Exchange under the symbol “LM.”

This release may contain forward-looking statements subject to risks, uncertainties and other factors that may cause actual results to differ materially. For a discussion of these risks and uncertainties, see “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Legg Mason's Annual Report on Form 10-K for the fiscal year ended March 31, 2011 and its subsequent quarterly reports on Form 10-Q.