UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549 **FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OFTHEI¿½SECURITIES EXCHANGET OF 1934

For the fiscal yearendedMarchï¿1/231, 2020 or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OFTHE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ï;½ to

> Commission file number: 001-08529

LEGG MASON, INC.									
	(Exact name of regis	strant as specified in	its charter)						
	MD	52-1200960							
(State or other ju	risdiction of incorporation c	ganization)	(I.R.S. Employer Identification No.)						
	100 International Drive	Baltimore, MD	21202						
	(Address of principal	executivefioofes)	Zip Code						
	(410) 539-0000							
(Registrant's telephone numbiencluding area code)									
Securities registered pursuant to S	ection 12(b) of theact:								
Title of each class	Trading Symbol Name of each exchange on whichegistered								
Common stock, \$0.10 par value	LM	New York Stock Exchange							

Securities registered pursuant to Section 12(g) of thect: NONE

Indicate by check mark if the registrant is a well-known seasoned, iasude fined in Rule 405 of the Securities. Yes No Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(A)cof Yies No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 daysi // 1/2 //2 //2 //2 Noï 2 //2 i 2/2

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-(1/2232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).Yesi / Jii / Jiii / Jiii / Jiii / Jiii / Jiiii / Jiiiii / Jiiiii/ Jiiiii / Jiiiii / Jiiiii / Jiiiii / Jiiiiii / Jiiiiii / Jiiiii / Jiiiiii / Jiiiii / Jiiii / Jiiii/Jiiii/Jiiii/Jiiii/Jiiii/Jiiii/Jiiii/Jiiii/Jiiii/Jiiii/Jiii/Jiiii/Jiii/Jiii/Jiiii/Jiii/Jiii/Jiii/Jiiii/Jiii/Jiiii/Jiiii/Jiii/Jiiii/Jiiii/Jiii/Jiiii/Jiiii/Jiiii/Jiii/Jiii/Jiiii/Jiii/Jiii/Jiiii/Jiiii/Ji

Indicate by check mark whether the registrant is gelarccelerated filean accelerated filea non-accelerated filea smaller reporting company or an emeging growth companySee the definitions of igealaccelerated file 1/2 it/accelerated fi and "emeging growth company" in Rule 12b-2 of the ExchaAge

Large accelerated filer Non-accelerated filer

Accelerated filer Smaller reporting company Emeging growth company

If an emeging growth companyindicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Excellange

Indicate by check mark whether the registrant has filed a report on and attestation to its maragesesting at of the efficiency of its internal control over financial reporting under Section 404(b) of the Sarbanes Adx(4)5 USC 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Axithanyes No

As of September 30, 2019, the aggregate market value of the registrant's voting stock, consisting of the registrant's common stock, held by non-afiliates was\$3,101,728,137

As of May 26, 2020, the number of shares outstanding of the registrant's common stable 48,522

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FORWARD-LOOKING ST ATEMENTS.

We havemade in this Reporton Form 10-K, and from time to time may otherwise make in our public filings, pressreleases and statements our management forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, including information relating to anticipated growth in revenues margins or earning spershare, anticipated changes in our businessor in the amount of our client assets under management is 2½ AUM is sets under advisement is 2½ AUA is the amount of our client assets under management is busidiaries (which we refer to as our it is 1½ busites is 1½ and in the amount of our independent assets managements ubsidiaries (which we refer to as our it is 1½ busites is 1½ and in the proposed merger between Legg Mason and Franklin Resources in c. (it is 1½ Frank Templeton is 1½), and expectation segarding in ancial market conditions. The words or phrases can be, ""may be, ""expects, ""may affect," "may depend, "believes, ""estimate, ""project, " "anticipate "and similar words and phrases are intended to identify such forward-looking statements Such forward-looking statements are subject to various known and unknown risks and uncertainties and we caution readers that any forward-looking information provided by or on behalf of Legg Mason is not a guarant estimate of future performance.

Actual resultsmay differ materially from thosein forward-looking information due to various factors, some of which are beyondbur control, including, but not limited to, those discusse delow and those discussed inder the heading 'Risk Factors'' and elsewhere in this Report on Form 10-K and our other public filings, press release and statements your management. Due to such risks, uncertainties and other factors, we caution each person receiving such forward-looking information not to place unduereliance on such statements Further such forward-looking statements peak only as of the date on which such statements are made, and we under taken obligations to update any forward-looking statement or reflect events or circumstance after the date on which such statements made or to reflect the occurrence of unanticipate devents except as required by law.

Importanttransaction-related ndotherrisk factors that may cause such differences include: (i) the occurrence f any event, changeor other circumstances that could give rise to the termination of the merger agreemenbet ween us and Franklin Templeton; (ii) the transaction closing conditions may not be satisfied in a timely manner at all, including if we fail to obtain regulatory and client approvals (iii) the announce mere and pendency of the merger may disrupt our busines perations (including the threat ene dor actual loss of employees clients or suppliers); (iv) we could experience financial or other setbacks if the transaction financial benefits or returns and expense and others ynegies, may not be fully realized or may take longer to realize than expected.

Our future revenuesmay fluctuatedue to numerous actors, suchas: (i) the total value and composition of our AUM; (ii) the mix of our AUM amongour affiliates, asset lasses investment vehicles, client type and geography; (iii) the revenue yield of our AUM; (iv) the volatility and general level of securities prices and interestrates; (v) the relative investment performance of company-sponsore divestment funds and other asset management products both in absolute terms and relative to competing offering sandmarke indices; (vi) investors entiment and confidence (vii) generabolitical and economic conditions; (viii) catastrophice vents, such as an epidemic, including the recent outbreak of respiratory illness cause dy a novel coronavirus (i; ½COVID-19 (ix) and the ability to maintain investment management and administrative fees at current levels; (x) competitive conditions in our business(xi) the ability to attract and retain key personnel (xii) the impact, extent and timing of technological changes and the adequacy of intellectual property information and cyberse curity protection; and (xiii) the introduction, with drawal, success and timing of business initiatives, strategies and acquisitions.

Our future operating results are also subject to fluctuation for, among other things, the following: (i) variations in the level of compensation expense incurred as a result of changes in the number of total employees competitive factors, changes in the percentages frevenue paid as compensation or other reasons (ii) increases in distribution expenses (iii) variations in expenses and capital costs, including depreciation amortization and other non-cash charges incurred by us to maintain our administrative infrastructure (iv) unanticipate dosts that may be incurred by Legg Mason from time to time to protect client good will, to otherwise support investment products, upon impairment of intangible assets or in connection with online litigation or regulatory proceedings and (vi) the effects of acquisition and dispositions including changes in the expected amount of contingent payments obe made.

Our businessis also subject to substantia by overnmental equilation and changes in legal, regulatory accounting tax and compliance requirements hat may have a substantia before on our busines and results of operations.

ITEM 1. BUSINESS.

General

Legg Mason is a global assetmanagemenfirm that operatesthrough the following nine independentasset managemenstubsidiaries which we refer to asour affiliates:

�BrandywineGlobal InvestmenManagement
�Clarion Partners
�ClearBridgeInvestments
�EnTrustGlobal
�Martin Currie
�QSInvestors
�RARE Infrastructure
�RoyceInvestmenPartners
�WesternAssetManagemenCompany

Acting throughour assetmanagements ubsidiaries each of which generally markets its products and services under its own brand name, we provide investment management and related products and services to institutional and individual clients, company-sponsor dutual funds and other investment vehicles. We offer these products and services directly and through various financial intermediaries.

LeggMason,Inc. wasincorporated Marylandin 1981to serveasa holdingcompany for its varioussubsidiaries. Thepredecessorompanies LeggMasontracebackto Legg& Co., a Maryland-based rokerdealerformedin 1899. Our subsequerg rowthoccurred primarily through internal expansion and the acquisition of assetmanagement and brokerdealer firms. In December 2005, Legg Mason completed a transaction which it sold its primary brokerdealer businesses concentrate on the assetmanagement industry Legg Mason is an independent publicly traded company with no single majority shareholde and approximately 90% of its Board of Directors consisted of independent directors as of March 31, 2020.

Unless the context otherwise requires all references in this Report or it is weight in the second se

Business Developments During the Fiscalear Ended March 31, 2020

PendingMerger with Franklin Resouces, Inc.

As previously announced on February 17, 2020 Legg Mason, Franklin Resources Inc. ($i_{i_{2}}$ /2 Frank Tiempleton $i_{i_{2}}$ /2), and Alpha SubInc., a Maryland corporation and a wholly-owned subsidiary of Franklin Templeton ($i_{i_{2}}$ /2 Mger Subi $i_{i_{2}}$ /2) tered into an Agreement and Planof Merger (the $i_{i_{2}}$ /2 Mger Agreement $i_{i_{2}}$ /2) viding for the acquisition of Legg Mason by Franklin Templeton. The Merger Agreement provides that, amongo therthings, upon the terms and subject to the conditions set for the in the Merger Agreement at the effective time of the Merger (the $i_{i_{2}}$ /2 Mger Subwill merge with and into Legg Mason (the $i_{i_{2}}$ /2 Mger $i_{i_{2}}$ /2) the Legg Mason continuing as the surviving corporation and a wholly owned subsidiary of Franklin Templeton.

Pursuanto the Merger Agreement which was unanimously approved by the boards of directors of both companies, upon completion of the merger, each outstanding share of common stock, par value \$0.10 per share, of Legg Mason (collectively, the ï ¿ ½ Share is be converted not the right to receive \$50.00 per Share in cash (the ï ¿ ½ Mger Consideration ï ¿ ½).

Following the Merger, LeggMason side pender assetmanagement ubsidiaries will remain place with current leaderships trategies and brands, except that En Trust Global will be repurchase by its management earnand will not be

partof the combined company Ourshareholder will not receive additional consideration connection with the repurchase of EnTrust Global by its managementer.

The closing of the Merger is subject to customary closing conditions, including receipt of applicable regulatory approvals and is currently expected o occurduring third calendar quarter of 2020.

RecenDevelopments

The assetmanagementhdustry continues to experience disruption and challenges including a shift to lower-fee passively manage of roducts increase deepressure including pressure rising from the shift to lower-fee passive products), regulatory changes an increasing and changing ole of technology in assetmanagement ervices the constant ntroduction of new products and services and the consolidation of financial services firms through megers and acquisitions in addition, the outbreak and global spreads of the novel coronavirus (12/2COVID-19a) hy transmissible and pathogenic disease, has created wides preads lobal busines disruptions in the assetmanagement dustry and acros the rindustries and resulted in extrememark etvolatility.

In light of thesechallenges, during fiscal year 2020, we continued to focus on our strategy of expanding client choice, identifying and implementing opportunities for collaboration with and across affiliates and providing expanded client access through the enhancement of our centralized distribution function and the development of alternative and innovative distribution options.

Sincethe inception of our previously announce detrategiore structuring blan, we have achieved annual costs avings of approximately \$95 million on a run rate basis as of March 31, 2020. The estimated costs of our strategiore structuring plan as of March 31, 2020 were revised to not exceed \$105 million, approximately 20% less than what we previously estimated See Note 18 of Notes to Consolidated Financial Statement for additional information.

Seei ¿½Item Financial Statementand Supplementar Dataï ¿détherevenues, et income and assets of Legg Mason, which operates in a single reportable business egment See Notes 13 and 19 of Notesto Consolidated Financial Statements in Item 8 of this Report for our revenues generated in, and our long-lived assets (consisting primarily of intangible assets and good will) located in, each of the principal geographic regions in which we conduct business See Note 7 of Notesto Consolidated Financial Statements in Item 8 of this Report for our deferred tax assets in the aggregate or all countries in which we operate.

BusinessOverview

Our corporatestructure combinesour nine independentassetmanagers each with diverse perspective and specialized expertise across asset classes and strategies, with institutional distribution capabilities at each of our asset manager and a centralized lobal distribution platform focusing on retail distribution. Acting through our independentasset managers with diverse expertise in equity, fixed income, alternative and liquidity investments, we provide investment management and related services to institutional and individual clients, company-sponsore divestment funds and retail separately nanage accounts program globally to help seek better financial outcome by expanding choice across investment strategies yehicles and investor access. Operating from assetmanagement fices located in the United States the United Kingdom and a number of other countries worldwide, we deliver our investment capabilities through varied products and vehicles and via multiple points of access including directly and through various financial intermediaries Our investment advisory services institutional and individual investors Our investment for separate investment accounts in numerous investments tyles for institutional and individual investors Our investment for under an avide variety of investment byles. We also offer other domestic and offshore funds to both retail and institutional investors privately placed real estatefunds, hedge funds, and funds-of-hedge unds.

Our independents setmanager primarily earnrevenue by chaging fees for managing the investment assets of clients. Feesaretypically calculated as percentage of the value of AUM; accordingly the fee income of each of our asset managers will typically increase or decreases its average AUM increases or decreases and dition, the feeson our AUM vary with the type of account managed the amount of assets in the account, the asset manager and the type of client.

Increases AUM generally result from inflows of additional assets from new and existing clients and from appreciation in the value of client assets including investment non-earned on client assets and due to changes in currency exchange rates). Conversely decreases AUM generally result from client redemptions and declines in the value of client assets. Our AUM may also increases a result of business equisitions decreases a result of dispositions.

We earnperformance dees undercertain investmentadvisory contracts or exceeding erformance benchmarks or hurdle rates. The largest portion of our performance dees is earned based on 12-month performance periods that end in differing quarters during the year, with a portion based on quarterly performance periods. We also earnperformance on alternative products that are earned at the end of varying investment periods or in multiple-year intervals. For the fiscal years ended March 31, 2020, 2019 and 2018, of our \$2.9 billion, \$2.9 billion and \$3.1 billion in total revenues \$99.0 million, \$84.9 million and \$227.8 million, respectively represented erformance ees. During the fiscal years ended March 31, 2020, 2019 and 2018, \$49.0 million and \$108.8 million, respectively of these performance ees were earned by Clarion Partners on assets invested with themprior to the closing of our acquisition of Clarion Partners in April 2016 and were passed hrough as compensation to Clarion Partners in a set of Clarion Partners in the Clarion Partners and the set of the clarion partners are and the performance and the performance and the clarion partners and the performance and the per

As of March 31 of each of the last three fiscal years, we had the following agg/tel/atten billions, except percentages):

	Assets Under Management	Equity Assets	% of Total in Equity Assets	Fixed Income Assets	% of Total in Fixed Income Assets	ternative Assets	% of Total in Alternative Assets	 uidity ssets	% of Total in Liquidity Assets
2020	\$ 730.8	\$161.2	22%	\$ 420.2	58%	\$ 74.3	10%	\$ 75.1	10%
2019	758.0	202.0	27	419.6	55	68.6	9	67.8	9
2018	754.1	203.0	27	422.3	56	66.1	9	62.7	8

From time to time, our reported equity, fixed incomeor alternative assets undermanagement hay exclude assets that we are retained to manageon a short-termor temporary basis. We define alternative assets as all AUM managed by Clarion Partners En Trust Global and RARE Infrastructure.

We believe that market conditions and our investment performance are critical elements in our attempts or grow our AUM and business. When securities real estatemarkets are increasing our AUM will tend to increase because from an exercise sulting in additional assetmanagement evenues. Similarly, if we can produce positive investment results and maintain competitive fee levels, our AUM will tend to increase In addition, favorable market conditions or strong relative investment performance anresult in increase in assets from existing and new clients. Conversely in periods when securities real estatemarkets are weak or declining, or when we have not maintained competitive fee levels or have produce door investment performance absoluter relative benchmarks or peers it is likely to be more difficult to grow our AUM and business and, in such periods, our AUM and business results may decline.

We generallymanage accounts of our clients pursuant to written investment management sub-advisory contracts between one of our independent assetmanagers and the client (or a financial intermediary acting on behalf of the client). These contracts usually specify among other things, the management be paid to the assetmanage and the investment trategy for the account and are generally terminable by either party on relatively short notice. Typically, investment management on tracts may not be assigned including as a result of transactions such as a direct or indirect change of control of the assetmanager if it would constitute an assignment under the Investment Advisers Act of 1940, as amended or other applicable regulatory requirements without the prior consent of the client. The Merger constitutes such an assignment under US assetmanagement assetmanagers assponsore the fund), the fund's board of directors generally must annually approve the investment management on tract and any material changes the contract and the fundis board of directors and fund shareholders must approve any assignment of the contract (including as a result of transaction shat

would constitut an assignment inder the Investmen Company Act of 1940, as amended) We are in the process of obtaining the consents required for the assignment sesulting from the consummation of the Merger.

Our Structure and Relationship with AssetManagers

We conduct the majority of our business throughour independent assetmanagement ubsidiaries which we refer to asi; 1/1 it terms of the types of assetsmanage (primarily alternatives equity or fixed income), and differ in the types of products and service offered, the investments tyle sutilized, the distribution channels used, and the types and geographidocations of its clients. Each assetsmanage is housed none or more different subsidiaries As of March 31, 2020, we directly or indirectly owned all of the voting equity of Brandywine Global Investment Management, Clear Bridgelnvestments Martin Currie, QS Investors, RARE Infrastructur and Western Asset Management Company Clarion Partners 18% owned by its management team, En Trust Global is 35% owned by its chief executive officer and Royce 24.5% owned by its management team. In addition, the management teams at Clarion Partners and Clear Bridge Investment seach owns non-voting equity interests in their respective businesses which provide them with participation in any increase in the value of the busines subject o appropriate/aluation discounts).

Eachof our assetmanagersis generally operated as a separate business that typically markets its products and services underits own brandname, with certain distribution functions being provided by our global distribution platform in many cases Consistent with this approachive havein placerevenues haring arrangement with certain of our asset managersBrandywineGlobalInvestmenManagemenClearBridgenvestmentsRoyceInvestmenPartnersandWestern AssetManagemenCompanyand/orcertainof their key officers. Under the terms of these evenues having arrangements, a specified percentage f the asset manager's evenues, net of certain third party distribution and other operating expenses, is required to be distributed to the equity owners of the business and the balance of the revenues or net revenues)s retained to pay operating expenses including salaries and bonuses but excluding certain expenses uch as a mortization of acquired intangible assets and excluding incometaxes. Specific compensational locations are determined by the asset manager'snanagemensubjectto LeggMasonmanagemensupprovalin certaincasesAlthough, without renegotiation, therevenues having arrangement is not easily to increase our profit margins from these businesses ye believe these arrangementshelp us retain and attract talented employees. In addition, the revenues having arrangements provide management of these asset managers with incentives to (i) grow the asset managers evenues, incemanagements able to participate in the revenue growth through the portion that is retained; and (ii) control operating expenses which will increase the portion of the revenue setained that is available to fund growth initiatives and for incentive compensation in addition, the chief executive officer of EnTrust Global and the managementeams of Clarion Partners Clear Bridgeand Roycehavesignificantequity interests in the applicable company which helps to align the interests of the management of thoseaffiliates with the interests of our shareholders.

Asset Managers

Our independentssetmanagersprovide a wide rangeof investmentadvisory services to separatelymanaged accountlients, including institutional clients such a spensior and other retiremental scorporations insurance ompanies, endowments and foundations and governments as well as high net worth individuals and families, and retail clients who participate in separatelymanaged account programs. In addition, our assetmanagers isomanageor sub-advise/arious groups of proprietary and non-proprietary U.S. mutual funds and ETFs registered under the Investment Company Act of 1940, asamended including equity, fixed income, liquidity and balanced unds. Certain of our assetmanagers isomanage or sub-advise our sub-advise numerous international mutual funds that are domiciled and distributed in countries around the globe.

WesternAssetManagemenCompanyis a leadingglobal fixed incomeassetmanagefor institutional and retail clients. Headquartereith PasadenaCalifornia, WesternAssetManagement'sperationsinclude investments perationsin New York City, the United Kingdom, Japan Brazil, Australia and Singapore WesternAssetManagement of fers a broad range of products panning the yield curve and encompassing the world's major bond markets including a suite of limited duration and core products emeging market and high yield portfolios, municipal portfolios and a variety of sectororiented and global products. WesternAsset Managementals osub-advises J.S. mutual funds that are sponsored by third parties. Among the services WesternAsset Management provides are management for separate accounts and U.S. mutual funds, onereal estate investmentrust, closed-endunds, international funds and other structured investment products As of March 31, 2020, WesternAsset Management available available of \$443.9 billion.

ClearBridgeInvestments an equity assetmanagementime based New York City that also has offices in Baltimore, MarylandandWilmington, Delaware.ClearBridgeInvestmentsprovides assetmanagementervices ocertain equity funds (including balanced unds and closed-end unds) in the Legg MasonFunds, retail separately nanaged account programs certain of our international funds and, primarily through separate accounts to institutional clients.ClearBridge Investments also sub-advises.S.mutual funds that are sponsore by third parties ClearBridge Investments tyles and disciplines, designed o address range of investment bijectives.Significant ClearBridge Investments investments tyles include low volatility, high active shares and income solutions. In managing assets, ClearBridgeInvestments generally utilizes a bottoms-up research intensive, fundamental approach to security selection that seeks oidentify companies with the potential o provide solide conomic eturns relative to their isk-adjusted aluations. As of March 31, 2020, ClearBridgeInvestments managed assets with a value of \$120.3 billion.

BrandywineGlobal InvestmentManagements a global assetmanagementfirm headquartereith Philadelphia, Pennsylvaniavith officesalsoin theUnitedKingdom,CanadaandSingaporeBrandywineGlobalInvestmenManagement providesinvestmentadvisoryservicesprimarily to separatelynanageaccountsfor institutionalclientsin a rangeof fixed income,includingglobalandinternationalixed income,andequityinvestmentstrategiesBrandywineGlobalInvestment Managementalso providesinvestmentadvisoryservicesto high net worth clients through separatelymanageaccount programs including various non-proprietary wrap accountsponsore by third parties, and also sub-advises J.S. mutual funds that are sponsore by third parties. In addition, BrandywineGlobalInvestmentManagementmanagesertain of our proprietaryU.S. mutualfunds and an umber of our international funds. BrandywineGlobalInvestmentManagementpursues a value investing approach in its management of both equity and fixed income assets As of March 31, 2020, Brandywine GlobalInvestmentManagementmanaged assets with a value of \$60.2 billion.

Clarion Partners's a leadingmanageof real estateinvestmenfunds. Headquartereith New York, the firm has offices in Atlanta, Barcelona Berlin, Jersey London, Los Angeles, Seattleand Washington DC and offers a broadrange of realestatestrategies cross therisk/returnspectrum institutional investors Clarion Partners offers its services through institutional separate accounts privately placed open-endunds and recently launched the Clarion Partners Real Estate Income FundInc., a publicly offered realestate income fund. As of March 31, 2020, Clarion Partners manage dessets with a value of \$56.7 billion.

EnTrust Global is a leadingglobal alternativeassetmanageispecializingin providing investmentsolutionsto public, corporate and multi-employer pension funds, foundations, endowments, sovereign wealth funds, insurance companiesprivate banks, family offices and high net worth individuals. EnTrust Global has investment eams ocated in London, New York City and Paris and additional offices in Hong Kong, and Singapore As of March 31, 2020, EnTrust Global managed ssets with a value of \$13.8 billion.

Martin Currieis an international equity specialis the adquartere and Edinburgh, Scotlandwith additional offices in London, Melbourne and Singaporelt manage active U.S. and international equity portfolios for a global client base of financial institutions, charities, foundations, endowments, pension funds, family offices, government agencies and investmen funds. As of March 31, 2020, Martin Currie manage dapproximately \$12.0 billion in AUM.

QSInvestors a customize solution and global quantitative quities investmentim providing assetmanagement and advisory service so a diverse array of institutional clients. Head quartere in New York City, QSInvestors as developed approaches to integrating quantitative and behavioral investmentinsights and dynamically weighting opportunities in response to changing conditions in the economy and the market. QSInvestors offers a broad spectrum of strategies which include actively managed U.S. and Global equities Liquid Alternatives and Customize Solutions As of March 31, 2020, QSInvestors managed pproximately \$9.8 billion of AUM.

Royceis the investmentadvisorto all of The RoyceFunds, a proprietary range of equity U.S. mutual funds and to certain of our international funds. In addition, Roycemanage the rpooled and separately manage accounts primarily for institutional clients. Headquartere in New York City, Roycegenerally investin smaller company stocks using a value approach Royce state class and the ability to generate reaction. Roycepursue securities that are priced below its estimate of the issue is the reaction. As of March 31, 2020, Roycemanage dessets with a value of \$9.0 billion.

RARE Infrastructure's a global listed infrastructure investing special is that manage solomestic and international funds in three distinct strategies RARE Infrastructure Value (a global strategy with a mix between income and capital

returns),RARE Emerging Markets(purelyfocusedon emerging marketsinfrastructure)andRARE InfrastructureIncome (a global strategywith a focus on distributing yield). Headquarteredin Sydney Australia, RARE Infrastructurehad approximately\$3.8billion in AUM asof March 31, 2020.

United States Funds

Mutual Funds

Our U.S. mutual funds primarily consist of two groups of proprietary mutual and closed-endunds (the �Legg MasonFundsï@fdthe�Roytendsï¿f2) eLegg MasonFundsinvestin a wide range of domestic and international equity and fixed incomese curities utilizing various investments tyles, including several money market funds. The RoyceFunds invest primarily in smaller cap company stocks using a value investment proach.

The Legg Mason Fundsconsist of 111 mutual funds and 27 closed-endunds in the United States, which are managedbr sub-advisedby Brandywine Global Investment Management Clarion Partners, Clear Bridgelnvestments, Martin Currie, RARE Infrastructure QSInvestors and Westerr Asset Management The mutual funds and closed-endunds within the Legg Mason Funds include 56 equity funds (including balanced unds) that invest in a wide spectrum of equity securities utilizing numerous investments tyles, including large- and mid-capgrowth funds and international funds. The fixed income and liquidity mutual funds and the closed-end unds within the Legg Mason Funds include 82 funds that offer a wide variety of investments trategies and objectives, including income funds, investment gradefunds and municipal securities funds. As of March 31, 2020 and 2019, the Legg Mason Funds include \$155.2 billion and \$148.7 billion in assets respectively in their mutual funds and closed-end unds, of which approximately 82% and 40%, respectively were equity assets approximately 49% and 46%, respectively were fixed income assets and approximately 19% and 14%, respectively were fixed income assets and approximately 19% and 14%, respectively were fixed income assets and approximately 19% and 14%, respectively were and 2019, less than 1% of the assets in the Legg Mason funds were alternative assets.

The RoyceFundsconsist of 13 mutual funds and three closed-endunds, most of which invest primarily in smaller capcompanyor micro-capcompany stocks using a value approach The funds differ in their approach to investing in smaller companies and the universe of securities from which they can select As of March 31, 2020 and 2019, the RoyceFunds included \$7.9 billion and \$11.6 billion in assets respectively substantially all of which were equity assets. The Royce Funds are distributed through non-afiliated fund supermarkets legg Mason Global Distribution, non-afiliated wrap programs and direct distribution. In addition, two of the portfolios in the Royce Funds are distributed by through insurance companies.

Exchange Taded Funds

TheLeggMasonETFsinvestin a wide rangeof domesticand international equity securities As of March31,2020, LeggMason ETFs in eup consisted of ten ETFs with an aggregate AUM of approximately \$1.3 billion. Our ETFs are managed by ClearBridgeInvestments, Martin Currie, QS Investors, RARE Infrastructure, Royce and WesternAsset Management.

Legg Masoncurrentlyholds a 19.9% equity interestin PrecidianInvestments i (1/2 ½ Precidianin Mustryleader in the creation of innovative financial products. On May 20, 2019, the SEC issued an order granting exemptive relief for the use of Precidian Investments Active Shares is semi-transpare the TF methodology This order permits an actively managed ETF to operate without being subject to the current daily portfolio transparency ondition included in actively managed ETF orders. Following applicable exchange approval for individual products investors in those products will be able to invest in actively-manage the TF sthat do not disclose individual holdings on a daily basis, yet trade and operate in a mannet that is similar to traditional ETFs. On January 21, 2020, Legg Mason provided notice to Precidian of its intention to exercise its option to increase its equity interest in Precidianto 75%, subject to satisfaction of certain closing conditions. On April 2, 2020, American Century Investment annet that we ETF products using Precidian is Avetive Shares is a first transparent. TF methodology

Private Funds

In addition to our U.S. mutual funds and ETFs, our assetmanagers ponsorand managevarious unregistered or ici/2 private ing/s that are made available to qualified U.S. or non-U.S. investors depending upon the product. Private funds

are pooled investment/vehicles that are exempt from local regulation and that are typically offered to sophisticated high net worth investors, corporations, sovereign wealth funds, public pension plans and other pooled investment/vehicles. Clarion Partnersoffers a broad range of privately placed funds invested primarily in equity and debtins truments of five major real estate property types. En Trust Global sponsors and manages number of U.S. and non-U.S. oganized private funds that offer a wide range of alternative strategies. Brandywine Global Investment Management, Clear Bridge Investments Martin Currie, QS Investors, RARE Infrastructure and Western Asset also sponsor and manages wide range of private fund offerings for qualifying U.S. and non-U.S. investors.

International Funds

Outside the United States, we manage support and distribute numerous proprietary funds across a wide array of global fixed income, liquidity, equity and alternative investments trategies Our international funds include a broadrange of crossborder funds that are domiciled in Ireland and are sold in countries across Asia, Europeand Latin America. Our international funds also include local fundranges that are domiciled in the United Kingdom, Australia, Japarand Singapore and offered to investors in the country of domicile. Our international funds are distributed and service dby Legg Mason Global Distribution, as discusse de low. Our international funds, which include equity, fixed income, alternative, liquidity and balance funds are primarily manage dor sub-advise dby Brandywine Global Investment Management Clear Bridge Investments En Trust Global, QS Investors Martin Currie, RARE Infrastructure Royce and Western Asset Management. In the aggregate we sponsore dand managed 86 and 205 of the sinternational funds, respectively at March 31, 2020 and 2019, which at those dates had an aggregate of approximately \$79.6 and \$88.4 billion in assets respectively of which approximately 4% and 19%, respectively we reequity assets approximately \$3% and 48%, respectively we reliquidity assets The information above does not include the funds-of-hedg funds sponsore dand manage dby Western Asset Management the privately place drealest at funds offered by Clarion Partners.

Retail Separately Manage&count Programs

We are a leading provider of assetmanagement ervices or etails eparately nanage account programs commonly known as managed accountor wrap programs. These programs typically allow securities brokers or other financial intermediaries offer their clients the opport unity to choose from a number of assetmanagement ervice pursuing different investments trategies provided by one or more assetmanagers and generally chage an all-inclusive fee that covers asset management trade execution, asset allocation and custodial and administrative services. We provide investment management ervices through more than 130 retails eparately nanaged account programs ponsored by various financial institutions.

Distribution

Our centralized lobal distribution group, Legg Mason Global Distribution, consists of the U.S. Distribution Group and the International Distribution Group. The U.S. Distribution Group markets, distributes and supports our U.S. mutual funds, ETFs and retail separately managed account programs. The International Distribution Group markets, distributes and supports our international funds. In general our U.S. and international Bales and marketing teams are housed in separate subsidiaries from our assetmanagers.

In addition, eachof our assetmanagershasits own salesand marketingteamsthat distributeits productsand servicesprimarily, in mostcasesto institutionalinvestors. The institutional sales and marketingteams of our assetmanagers distributeassetmanagements ervices to potential clients, both directly and through consultants. Consultants play a large role in institutional assetmanagements whelping clients select and retain assetmanagers. Institutional assetmanagement clients and their consultants end to be highly sophisticated and investment performance-driven.

U.S. Distribution

The U.S. Distribution Group of Legg MasonGlobal Distribution employs a team of U.S. base dales, marketing and supports taff that market, distribute and support U.S. mutual funds, including the Legg MasonFunds, the Royce Funds, the Clarion Funds and the Legg MasonETFs. We distribute the Legg MasonFunds directly and through a number of third-party distributors.

TheU.S.DistributionGroupdistributesinstitutionalshareclasses ftheLeggMasonFundsto institutionalclients andalsodistributes/ariableannuitysub-advisors/ervicesprovidedbyourassetmanagertoinsurancecompanies/including advisors/ervicesprovidedto certainof theLeggMasonFundsthatarespecificallydesigned/or purchase/hroughvariable annuity contracts and variable life insurancepolicies offered by participating insurancecompanies). Our institutional liquidity funds are primarily distributed by WesternAssetManagementics/desteam. The RoyceFundsaredistributed by Royces/desteamin addition to the U.S. Distribution Group.

In addition to distributing funds, the wholesalers in Legg Mason Global Distribution also market and support our retail separately manage account programs ervices and the Legg Mason ETFs. These services are provided through programs ponsore by a variety of financial institutions.

InternationalDistribution

The Internationa Distribution Group of Legg Mason Global Distribution employs a team of sales marketing and supports af that markets distributes and supports our international funds to individual and institutional investors across Asia (including Australia and Japan), Europeand the Americas. The International Distribution Group has sales teams operating out of distribution offices in 18 cities in 15 countries and distributing our cross border international funds globally and our international local fund ranges in their respective countries. The goal of our International Distribution Group is to be a global partner for firms that utilize or distribute asset management of each local market that they cover These distributors seek to develop deep distribution relationships with retail banks, private banks, asset managers a case-by-case asis to take advantage of preferences or local distributors or to meet regulatory requirements in distributing products and services into their local markets.

Our distribution efforts are not limited to the locationswhere we have offices, as the International Distribution Group distributes crossbord effunds in more than 26 countries around he world. This global presence rovides Legg Mason with the capabilities to provide a platform of sales service marketing and products that cancate to the different distribution dynamics in each of the regions that it covers Client coverages local, coordinate daross regions and encompasses ultiple distribution channels including broker dealers funds-of-funds asset managers in dependent in ancial advisers banks fund platforms, insurance companies and other distribution partners. The extent to which each channel takes precedence in any one market is governed by local market dynamics.

In Australia, our distribution operation sistributelocal and crossborder funds sub-advise by our assetmanagers primarily to retail investors pension plans, fund-of-funds managers in surance ompanies and government unds/agencies. In Japan, our distribution operation sistributed omestic investment funds, crossborder funds and institutional separate accounts primarily to the retail market, which includes retail banks, private banks, assetmanagers funds platforms and insurance ompanies.

EnTrust Global spécoducts and services are sold outside the United States to non-U.S. high net worth investors throughanetwork of financial intermediaries y EnTrust Global sold attribution operation swell as throughour International Distribution Group. In addition, EnTrust Global distributes to product and services to U.S. and international institutions through EnTrust Global signature and services of U.S. and international through a state of the service and services of U.S. and international through a state of the service and services of U.S. and international stitutions through a state of the service and services of U.S. and international stitutions through a state of the service and service as the service and service and services of U.S. and international stitutions through a state of the service and service as the s

Employees

At March31,2020,2019,and2018,wehad3,059,3,246,and3,275employees;espectivelyNoneof our employees are covered by a collective bargaining agreement/Ve consider our relations with our employees be satisfactory However, competition for experience as the management personnels intense and from time to time we may experience loss of valuable personnel. We recognize the importance our business of hiring, training and retaining skilled professionals.

Competition

We are engaged in an extremely competitive busines and are subject to substantial competition in all aspect of our business. The success four business depends numerous actors including investments tyle, investment performance,

quality of advice, track records, the level of fees, the range of productsoffered, brandrecognition, businesseputation, financial strength, the depth and continuity of relationships, distribution relationshipsand compensation offered to distributors and quality of service. Our competition cludes, with respecto one or more aspects of our business, numerous assetmanagement on panies and broker dealers, mutual fund complexes, hedgefunds, commerciabanks, insurance om panies, other assetmanagement on panies and other financial institutions. Many of these organizations offer products and services that are similar to, or competewith, those offer, and many of these organizations have substantially more personneand greater financial resources han we have. Some of these competitors have propriet ary products and distribution channels that make it more difficult for us to compete with them. In addition, many of our competitors have long-standing and established elationships with distributors and clients. The primary competitive factors relating to our business are the quality of advice and service she price of services the products and service of the company providing the service she price of services the products and services of that advice and service, the reputation of the company providing the services the price of services the products and services of the reducts and services of the company providing the services the price of services the products and services of the reduct and services of products, vehicles and access anableus to compete effectively in the investment management business.

Competitionin our businessperiodically has been affected by significant development in the assetman agement industry See�ItenA. Risk Factors- Risks Related to our Asset Managemen Business- Competition in the Asset Managemen Industry Could Reduce our Revenue and Net Income.�

Risk Management

We are committed to continually strengthening and refining our risk management approach and believe our risk management forts, along with the diversity of asset classes and products that we factors in our ability to manage through various market cycles. Our risk management approach reaches across Legg Masóiniated and f encourages consistent and meaningful conversations about potential risk across the company

Regulation

The assetmanagement dustry generally and virtually all aspects four businessis subject to extensive ederal, stateandinternationalaws and regulation spromulgated by various governments securities exchanges entral banks and regulatorybodies. Someof these laws and regulations are summarized below and almost all are intended to benefit and protectinvestmentadvisoryclients and investors in registered and unregistered nvestment companies in addition, our distribution activities also may be subject to regulation by international and U.S. federal agencies self-regulatory organizations and securities commissions in those jurisdictions in which we conduct business. Under these laws and regulations agencies that regulate investmentadvisers investment funds and other individuals and entities have broad administrativepowers, including the power to limit, restrictor prohibit the regulated entity or person from conducting businessif it fails to comply with such laws and regulations. Regulators look avea variety of informal enforcement mechanismavailable that could have a significant impacton our business Due to the extensive aws and regulations to which we are subject, we must devote substantiatime, expense and effort to remaining vigilant about, and addressing, legal and regulatory compliancematters. Moreover regulatory changes n one jurisdiction often affect our business operations other jurisdictions. Possibles anctions or significant compliance ailures include the suspension of individual employees limitations on engaging in certain lines of business for specified periods of time, revocation of investment adviserandotherregistrationscensureandfines. A regulatoryproceedingregardless f whetherit results a sanction, canrequiresubstantiaexpenditureandcanhaveanadverseffect on our reputationor business.

Regulatory Reform

We are subject to numerous egulatory reform initiatives around the world. Any such initiative, or any new laws or regulations or changes in enforcement of existing laws or regulations, could materially and adversely impact us by leading to business disruptions, requiring us to change certain business practices and exposing us to additional costs (including compliance and legal costs). The rules governing the regulation of financial institutions and their holding companies and subsidiaries are very detailed and technical Accordingly, the discussion below is general in nature, does not purport to be complete and is current only as of the date of this report.

Dodd-FrankWall StreetReformandConsumerProtectionAct

In July2010, the Dodd-FrankWall StreetReformandConsumeProtectionAct (the�Dodd-FrankActi ¿ Wassigned into law in the United States. The Dodd-FrankAct requires the adoption of extensive regulations and numerous regulatory decisions many of which have been adopted and thers of which will beforth coming. We have implemented programs to address certain regulations adopted under Dodd-Frank as well as financial reforms that have been introduced as part of the SEC is jl/westment company modernization initiatives. As certain limited aspects of Dodd-Frank and other rules are still being adopted and the impact of the rules already adopted will become vident over time, it is not yet possible to predict the ultimate effects that the Dodd-FrankAct or subsequent implementing regulations and decisions will have on our business financial condition, and operating activities

Systemically Important Financial Institution (ï¿1/2SIFIï¿1/2) Review

BoththeFinancialStabilityBoard($\ddot{i}_{2}/_{2}FSB\ddot{w}_{0}/k$)ngwith theInternationaDrganization of SecuritiesCommissions ($\ddot{i}_{2}/_{2}IOSCO\ddot{a}_{0}/k$)SOC, are considering otential systemic is k related to asset management and are currently focused on a product sand activities approach in their review of asset managers In January2017, the FSB announced to Policy Recommendation AddressStructural/ulnerabilities from Asset Management Activities, which concentrate primarily on products and activities and includes 14 recommendation targely focused on liquidity in open-endunds, leverage in funds, operational risk, and securities ending, certain of which IOSCO is expected o engage on in the future. The FSB has indicated that it may develop criteria for designation of nonbank non-insurers in the future to address \dot{z}_{2} residing ksi \dot{z}_{2} . Any measure applied in relation to a global systemically important financial institution ($\ddot{i}_{2}/_{2}$ G-SIF des \dot{z}_{1}) and \dot{z}_{1} .

If we or any other assetmanage we redesignate **d** SIFI or G-SIFI, we could be comsubject to enhance **p**rudential, capital, supervisory and other requirements; uchas risk-base **d** apital requirements be verage imits, liquidity requirements, resolution plan and credit exposure portrequirements; concentration imits, a contingent capital requirement enhanced public disclosures; short-term debt limits and overall risk management equirements. Requirement **s** uchas these, which we redesigned o regulate banking institutions, would likely need to be modified to be applicable to an asset manager. No proposal shave been made indicating how such measure **s** would be adapted or asset managers.

Securities and Exchange Commission Reviewset Managers and Mutual Funds

Ourbusinessnayalsobeimpactedby additionalregulatoryinitiativesby the SEC. In Octobe/2016, the SEC adopted newrules (aswell asamendments) existing rules) to modernize the reporting and disclosure of information by registered investment companies including (i) new monthly and annual reporting requirements for certain U.S. registered unds; (ii) enhancedeporting regimes for investmentadvisers these rules, have increased the Funds and disclosure requirements additional SEC oversight relating to the above, or the introduction of any new reporting, disclosure control requirements could expose us to additional compliance costs and may require us to change how we operate our business.

Regulation of Exchangeraded Funds

As part of a focus on financial stability issues and due to the significant growth of this product classover the last few years, regulators globally are examining the potential risks in ETFs, including risks related to transparency liquidity and structural resiliency. There can be no assurance that structural or regulatory reforms, including potential rule making by the SEC, will be implemented in a manner favorable to us, or at all. Depending on the outcome of this renewed egulatory analysis, or any associated structural reforms, ETF products may be come subject to increase degulatory scrutiny or

restrictions, which may require us to incurad ditional compliance and reporting expenses and adversely affect our business. In addition, in September 2019, the SEC adopted Rule 6c-11 under the Investment Company Act of 1940 (the ï; ½ Investment Company Act ï; ½) own as the ï; ½ ER tile ï; ½ ne ETF Rule is intended to establish a clear and consisten framework that allows many ETFs operating under the Investment Company Act to come to market without applying for individual exemptive orders.

Regulation of Swaps and Derivatives

The SEC, the Internal RevenueService ($i_{2}/_{2}$ IRSin (H)) e Commodity Futures Trading Commission ($i_{2}/_{2}$ CFT (Gia (H)) continue to review the use of futures, swaps and other derivatives. Such reviews could result in regulations that further limit the use of such products by mutual funds. If adopted these limitations could require us to change certain mutual fund busines practices or to register additional entities with the CFTC, which could result in additional costs and/or restrictions. In December 2015, the SEC proposed a new rule governing the use of derivatives and other financial commitment transactions by investment companies. In December 2019, the SEC re-proposed the rule, making significant changes from the original proposal. This proposal has the potential to require us to change or restrict certain investments trategies or practices and incur additional costs. There is no indication as to when or if the final Rule will be adopted.

We report certain information abouts everal of our private funds to the SEC and the CFTC, undersystemicrisk reporting requirements dopted by both agencies These reporting obligations have required, and will continue to require, investments in people and systems assuratimely and accurate reporting. The rules and regulations applicable offshore funds, accounts and counterparties will require us to build and implement new compliance monitoring procedures address the enhance develof oversight owhich we will be subject. These rule changes also introduce new requirements or centrally clearing certains wap, and eventually security - based wap, transactions and for executing certains wap, and eventually security - based wap, transactions or through CFTC or SEC - registered adding venues. Jurisdictions outside the United States in which we operate also have adopted and implemented or are in the process of considering adopting or implementing more pervasive egulation of manyelements of the financial services industry which could further impact us and the broader markets. This includes the implementation of mandated central clearing of swaps in the Europear Union (i ¿ ½ EU ag dt) he implementation for tradereporting, documentation central clearing and other requirements in various jurisdictions globally.

SECsptoposalsto EnhanceProtectionsfor RetailInvestors

In June2019, the SEC adopted ules and interpretation selesigned o enhance protections for retail investors in their relationships with financial professional sincluding broker dealers and investmentad visers with respect o both retirement and non-retirementaccounts. Regulation Best Interest, which will take effect on June30, 2020 following a one year implementation period, will impose a �besterestï stándardof conduct for broker dealers and their representatives. Regulation Best Interest enhance the current ti ¿½suitabilistign dards pplicable to broker dealers by imposing an explicit care obligation and additional disclosure and conflict of interest mitigation or elimination requirements on broker dealers that makes ecurities ecommendation to retail investors. In addition to Regulation Best Interest the SEC is used an interpretation (�thmy estmentAdviser Interpretation is setting forth the SEC is we as to the nature of an investmentAdvise is tiduciary obligations under the InvestmentAdvisers Act of 1940. In addition to the SEC is detivity, several states have adopted or are considering ules that would establish eightened or more explicit standards for onduct for financial intermediaries perating in such states. It is unclear how the sectate initiatives will be impacted by the implementation of Regulation Best Interest and possible pre-emption challenges We and our asset managers may be adversely mpacted by such SEC and state regulatory initiatives in the retail investors and increased pressure on product fees and expenses.

Revise EU Capital Requiements

EU regulators are considering how to design an appropriate apital regime for non-systemically mortant investment firms as the current regime is based upon banking requirements and has not been materially modified for assetmanagers. In December 2017, the Europear Commission published a legislative proposal addressed to the Europear Parliament and Council for a new Directive and new Regulation on prudential requirements or MiFID investment firms.

ThenewlegislativepackagewhichincludestheInvestmenFirmsRegulatior(IFR) andInvestmenFirmsDirective (IFD) will makesignificantalterations the prudential framework governing investmen firms, including deviations from the current MiFID approach to the use of quantitative K-factors.IFR become structly applicable in EU members tates on

June26,2021.IFD comesinto effect on June26,2021 and EU memberstates have 18 months to adopt and publish measures to implementit. The implementation of changes adopt and comply with IFR and IFD and will result in higher regulatory capital requirements or impacted firms, subject to transitional phasing in. We continue to analyze the potential impact of IFR and IFD on us and our asset managers.

RevisedRetailConsumeDisclosueRequiements

EU legislatorshaveintroduceda new �Kbyformation Documentï (j½½KIDïwbách is applicablewherea retail consumeis soldPackage& etailandInsurance-based vestmenProducts(�PRIIPañd‰) ich cameinto effectin January 2018andwill becomæpplicableto fundsin Decembe2021. The KID mustincludes pecificinformation costs risks and performanceWeare required to producæ KID for eachfundin scope as well asto makeinformation availableto distribution partners who sell these funds in the EU.

British Exit from the European Union

The United Kingdom (i¿½U.Kligkla) referendumin June2016 in which votersapproved an exit from the EU ("Brexit"), which resulted n significant volatility in several international markets. On March 29, 2017, the U.K. delivered notice under Article 50 of the Lisbon Treaty of its intent to leave the EU, beginning a two-yearnegotiation period for the U.K. and the 27 remaining members of the EU to reach agreement on the terms of the exit. On March 23, 2018, the UK and the EU leaders endorsed 21-month transition period that would begin on March 29, 2019 and endon Decembe 61, 2020 and adopted hegotiating guidelines on the future EU-UK relationship.it The terms of this transitional arrangement were not binding unless by March 31, 2019, a formal with drawalagreement between the UK and the Europear Economic Area (i ½EE Aadbeennegotiated n full and agreed ratified by the Europear Parliament and the Europear Council; and ratified by the UK (which is likely to require an Act of Parliament). The UK and EU leaders were unable to negotiate formal with drawalagree edo extend the Brexit date to provide additional time to complete negotiations. The UK with drew from the EU on Januar 81, 2020. The timeline to conclude a new UK/EU trade agreement by Decembe 61, 2020 has been challenged n recent weeks by the global economic and health crisis caused by COVID-19, and the final terms and implementation date of a new trade agreement emain uncertain.

As a result of Brexit, we have, and may continue to, incur additional costs due to having to locatemore activities within the EU. The recould also be changes to UK and EU immigration policies as a result of Brexit, which could lead to restrictions on the free movement of investment and supports taf between the UK and the EU. We will continue to monitor the potential impact of Brexit on our busines soperations and financial condition and have implemented a number of steps to prepare for various out comes including establishing an office in Dublin, Ireland, effecting organizational governance and operational changes, applying for and receiving licenses and permissions in the EU, and engaging in client communications.

Existing U.S. Regulation

The SEC is the federal agency charged with administration of the federal securities aws. Our U.S. asset managers are registered as investmental visers with the SEC, as a reseverable our international asset managers and a real so required to make notice filings in certain states. We and certain of our affiliates are also currently subject to regulation by the SEC, the Department Labor (the i_{2} / $_{2}$ DOL the f_{2} and certain Reserve the Financial Industry Regulatory Authority (i_{2} / $_{2}$ FINRAt f_{2}), National Futures Association (i_{2} / $_{2}$ NE i_{2}), e CFTC and other governmentagencies and regulatory bodies. Certain of our affiliates are also subject to various anti-terrorist financing, privacy, anti-money laundering regulations and economic sanction sanction sanction stabilished by various agencies.

The InvestmentAdvisersAct of 1940 imposes numerous bligations on registered nvestmentadvisers such as certain of our assetmanagers including record keeping operational and marketing requirements disclosure obligations and prohibitions on fraudulentactivities. The Investmen CompanyAct of 1940 imposes tringent governance compliance, operational, disclosure and related obligations on registered investment companies and their investmentadvisers and distributors. The SEC is authorized o institute proceeding and imposes anction for violations of the Investment Advisers Act of 1940 and the Investment CompanyAct of 1940, ranging from fines and censure to termination of an investment advise is the gist and vise is the securities and regulations.

with the InvestmentAdvisersAct of 1940, the InvestmentCompanyAct of 1940or otherfederalandstatesecurities aws and regulation could result in investigations can be an an an an area of the security of the sec

Our tradingandinvestmentactivities for client accounts realso regulated under the Securities Exchange Act of 1934 (the � Exchar/ge � swell as the rules of various U.S. and non-U.S. securities exchange and self-regulatory organizations including laws governing rading on inside information, market manipulation and abroad humber of technical requirements and market regulation policies in the United States and globally.

Our broker dealers ubsidiaries are subject to regulation shat cover all aspects of the securities business Much of the regulation of broker dealers has been delegated to self-regulatory organizations, principally FINRA. These self-regulatory organizations have adopted extensive regulatory requirements relating to matters such as sales practices, compensation and disclosure and conduct periodice xaminations of member broker dealers in accordance with rules they have adopted and amended rom time to time, subject to approvalely the SEC. The SEC, self-regulatory organizations and states ecurities commissions may conduct administrative proceeding shat can result in censure fine, suspensioor expulsion of a broker dealer its officers or registered employees. These administrative proceedings whether or not resulting in adverse findings, can require substantia expenditures and can have an adverse impact on the reputation or business of a broker dealer. The principal purpose of regulation and discipline of broker dealers is the protection of clients and the securities markets, rather than protection of creditors and stockholders of the regulate dentity.

In addition, our assetmanager also may be subject to the Employee Retirement ncome Security Act of 1974, as amended [1;2]/2 ERISA and [2]/2 ER

In October2016, the SEC adopted new rule (and amendment to existing rules) designed o promote effective liquidity risk management throughout the open-endfund industry, thereby reducing the risk that funds will be unable to meetred emption obligations and mitigating dilution of the interests of fund shareholders. The amendment also seek to enhance disclosure egarding fund liquidity and redemption practices. New rule 22e-4 requires each registered open-end fund, including open-end ETFs (but not including moneymark effunds), to establish a liquidity risk management rogram. The Commissionalso adopted amendments existing rule 22c-1 to permit a fund, under certain circumstances to use it is 1/2 swipgicing, it is process of adjusting the NAV of a fund is share to effectively passon the costs stemming from shareholde purchase or redemption activity to the shareholder associated with that activity. The funds were required to comply with certain aspects frule 22e-4 beginning on December 1, 2018, and other aspects of the Rule beginning on June 1, 2019. The SEC delayed heeffective date of the amendment that will permitfunds to uses wing pricing to provide funds, intermediaries and service provider stime to work through operationals sues. The potential impact of the new and amended rules on the funds and/or our busines is unclear.

Existing International Regulation

In our international business, we have fund management asset management broker dealer and distribution subsidiaries domiciled in a number of jurisdictions, including Australia, Brazil, Canada, Japan, Hong Kong, Ireland, Singapore, Taiwanand the United Kingdom. These subsidiaries are subject to extensive egulation under the laws of, and to supervisior by, government a tuthorities and regulatory agencies in each of these jurisdictions, including the Australian Securities. Investment commission for our Australian business the Comissi ¿ Max Valores Mobilii ¿ ½ rifter Brazilian business the Ontario Securities Commission Canada for our Canadiar business the Financial Service Agency for our Japanes business the Securities Futures Commission for our Hong Kong business the Central Bank of Ireland for our Irish business the Monetary Authority of Singapore for our Singapore business our international subsidiaries are also authorized r license do offer their products and services in severab ther countries around the world, and thus are subject to the laws of, and to supervisior by, government abuthorities in the sead ditional countries.

Our offshore proprietary funds are also subject to the laws and regulatory bodies of the jurisdictions in which they are domiciled and, for funds listed on exchanges to the rules of the applicable xchanges Certain of our funds domiciled

in Ireland are also registered for public sale in several countries around the world and are subject to the laws of, and supervisiorby, the governmenta authorities of those countries All of the senon-U.S.governmenta authorities generally have broad supervisory and disciplinary powers including, amongothers, the power to set minimum capital requirements, to temporarily or permanently revoke the authorization to carry on regulated business to suspendegistered employees, and to invoke censure and fines for both the regulated business and its registered employees.

Our Europearbusinesses swell asour Irish and UK proprietary funds, are subject to numerou EU regulations, including mainly the Marketsin Financial Instrument Directive (�MiFIDible Alternative Investment Fund Managers Directive (�AIFMDertal) the Undertaking For Collective Investment in Transferable Securities Directive (�UCITS Directive�).

MiFID

Certainof our subsidiarieshatprovide investmenservices oclients in the EEA must comply with MiFID, which regulates the provision of investments ervices and activities throughout the EEA. MiFID originally became ffective in 2007 and its wasenhanced hrough adoption of MiFID II, which became ffective in January 2018. MiFID II built upon manyof the initiatives introduced hrough MiFID and introduced number of changes hat significantly impacted the EU securities and derivatives markets including (i) enhanced hvestor protection and governance standards (ii) prescriptive rulesregardingheability of assetmanagementitrms to receive and payfor investmentes earchield ting to all asset lasses, (iii) rules on the identification and monitoring of target markets for MiFID financial instruments y MiFID investment firms who manufactureand/or distribute such instruments, (iv)i; ½ enhancedulation of algorithmic trading, (v)i; ½ the movement tradingin certainshare and derivatives on to regulate dexecution venues (vi)i2 /2 the ension of pre-and posttradetransparencyequirements wider categories financial instruments (vii) i; 1/2 restrictions he use of so-called dark pooltrading.(viii)i2/2 treation of a newtype of trading venue called the Organized Trading Facility for non-equity in ancial instruments(ix)�newnmodityderivativepositionlimits and reporting requirements(x)ï¿baveaway from vertical silos in execution clearing and settlement(xi) i 2 1/2011 hance dole for the Europear Securities and Markets Authority (i 2 1/2 ESMAi 2 1/2) in supervising U securities and derivatives markets and (xii) i¿ 1/2 neequirement segarding non-EU investment firms i at cess to EU financial market. Compliance with MiFID II has increased he costs some of our affiliates, as they have had to start payingfor third-party investment research comply with the MiFID II inducementules.

AlternativeInvestmenFundManagersDirective

TheAIFMD regulates nanagers f, and service providers to, abroadrange of alternative investment unds (i¿½AIFsig)% ciled within and (depending in the precise circumstances) utside the EU. The AIFMD also regulates the marketing of all AIFs inside the EEA. The AIFMD is scope is broad and, with a few exceptions covers the management administration and marketing of AIFs. In particular the AIFMD introduce the wrules governing (1) the registration and licensing of alternative investment und manager (i ¿½AIFMs(2)) (a) introduce the wrules governing (1) the registration and licensing of alternative investment und manager (i ¿½AIFMs(2)) (a) inductor busines (fair treatment of investors conflicts of interest remuneration, risk management, aluation, disclosure to investor and regulators) or AIFMs, (3) regulatory capital requirement for AIFMs, (4) the safekeeping of investment (via the mandatory appointment of depositaries and custodians) (5) delegation of certain tasks, including portfolio management and risk management (6) the marketing of AIFs to profession all vestors within the EEA via a passport egime, and (7) the use of leverage by AIFMs for all AIFs undermanagement.

We and our affiliates currently operatelicensed AIFMs in Ireland, the UK and France. We have incurred, and expect to continue to incur, additional expense selated to satisfying the senew compliance and disclosure bligations and the associated is k management and reporting requirements.

Undertakings or CollectiveInvestmentn TransferableSecurities

The UCITS Directive established single EU-wide marketfor the sale of EU domiciled mutual funds (�UCITS fundsï¿) retail and institutional investors under a common, harmonized set of rules that govern the management, administrationand marketing of UCITS funds. We currently operate proprietary UCITS funds in Ireland and the UK that areauthorized by the Central Bank of Ireland and the UK is Binancial Conduct Authority, respectively

The UCITS Directive established ules that govern (1) the registration and licensing of UCITS management companies and UCITS funds, (2) conductof busines (fair treatment) investors, conflicts of interest, remuneration, risk management, aluation, disclosure o investors and regulators) for UCITS, (3) regulatory capital requirement for UCITS

management ompanies (4) the custody and safekeeping f investment held by UCITS funds, (5) delegation of certain tasks including portfolio management and risk management (6) the marketing of UCITS to retail and institutional investors within the EEA via a passport of the time, and (7) the use of leverage by UCITS.

UCITS V, which cameinto effect in March 2016 with further measuresimplemented n October 2016, seeksto align the depositary regime, remuneration rules and sanctioning powers of regulators under UCITS with the requirements of the AIFMD. In addition, ESMA guidelines includer ules relating to collateral managemente quirements for UCITS funds concerning collateral received in the context of derivative susing Efficient Portfolio Management (i ¿ ½ EPM @CM)) iques (including securities ending) and over the -counted erivative transactions These rules required us to make a series of changes to collateral management rangements pplicable to the EPM of UCITS fundranges and cause us to incurad ditional expenses associated with risk management and reporting requirements.

Net Capital Requirements

We haveseveralsmall, non-clearingbrokerdealersubsidiaries that primarily distributeour funds and other asset management products. These broker dealersubsidiaries are subject to net capital rules that mandate that they maintain certain levels of capital. In addition, certain of our subsidiaries that operate outside the United States are subject to net capital or liquidity requirements in the jurisdictions in which they operate For example, in addition to requirements other jurisdictions, our United Kingdom-base subsidiaries and our Singapore-base subsidiaries are subject to the net capital requirements of the FCA and the Monetary Authority of Singapore processes and the subsidiaries are subject to the net capital requirements of the FCA and the Monetary Authority of Singapore processes and the subject to the net capital requirements of the FCA and the Monetary Authority of Singapore processes and the subject to the net capital requirements of the FCA and the Monetary Authority of Singapore processes and the subject to the net capital requirements of the FCA and the Monetary Authority of Singapore processes and the subject to the net capital requirements of the FCA and the Monetary Authority of Singapore processes and the subject to the net capital requirements of the FCA and the Monetary Authority of Singapore processes and the subject to the net capital requirements of the FCA and the Monetary Authority of Singapore processes and the subject to the net capital requirements of the FCA and the subject of the subject to the net capital requirements of the subject of the su

Additional Information

The SEC maintainsa websitethat containsreports, proxy and information statements and other information regarding issuers with the SEC, at www.sec.gov We make available, free of charge on our website, http:// www.leggmason.comour annual reports on Form10-K, quarterly reports on Form10-Q, current reports on Form8-K and amendments those reports filed or furnished pursuant o Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and our proxy statements. These reports are available through our website as soon as reasonably practicable after we electronically file the material with, or furnishit to, the Securities and Exchange Commission (i, ½ SEC in 1934) to state for an under the i i ½ Investor and information of ur website. In addition, the Legg Mason, Inc. Corporate Governance Principles, our Code of Conduct for all employees and directors, and the charters or the committees of our Board of Directors are also available on our corporate website at http://www.leggmason.com/nderi i ½ About Nvestor Relations. Governance Corporate Governance @ Mason, Inc., 100 International Drive, Baltimore, MD 21202. The information our website is not incorporate dy reference into this Report.

ITEM 1A. RISK FACTORS.

Our businessand the assetmanagementhdustry in general is subject to numerous isks, uncertainties and other factors that could negatively affect our business results of operations. These isks, uncertainties and other factors including the ones discussed below and those discussed below here here in and in our other filings with the SEC, could cause actual results to differ materially from any forward-looking statement that we or any of our employees may make.

Risks Related to the ProposedMerger

RegulatoryApprovalsMay Not be Received,May TakeLonger Than Expectedbr May ImposeConditionsThat Are Not PresentlyAnticipatedor Cannot be Met.

Before the transaction sontemplate dby the Merger Agreement including the Merger, may be completed various approvals must be obtained rom regulatory authorities. These regulatory authorities may impose conditions on the granting of such approvals. Such conditions or changes and the process of obtaining regulatory approvals could have the effect of delaying completion of the Merger or of imposing additional costs or limitations on the combined company following the Merger. The regulatory approvals may not be received at all, may not be received in a timely fashion, or may contain conditions on the completion of the mergers that are not anticipate dbr cannot be met. If the consummation of the Merger is delayed including by a delay in receipt of necessary egulatory approvals the business financial condition and results of operations of each company may also be materially and adversely affected. See the section entitled is $\frac{1}{2}$ Tiple reger Regulatory Approvals Required for the Merger is the merger is the proxy statement is defined with the SEC on March 27, 2020 ($i_{i}/_2$ Proxy Statement is $\frac{1}{2}$).

Failure of the Merger to be Completed the Termination of the Merger Agreementor a Significant Delay in the Consummation of the Merger could NegativelyImpact Us.

The Merger Agreements subject a number of conditions which must be fulfilled in order to complete the Merger. Pleases each esection entitled is 1/2 TAgreement and Planof Merger Conditions to the Merger is 1/2 the Proxy Statement These conditions to the consummation of the Merger may not be fulfilled and, accordingly the Merger may not be completed or significantly delayed. In addition, if the Merger is not completed by February 17, 2021, either Franklin Templetonor we may choose to terminate the Merger Agreement at any time after that date if the failure to consummate the transactions contemplate dby the Merger Agreements not primarily cause dby any failure to fulfil any obligation the Merger Agreement by the party electing to terminate the Merger Agreement Furthermore the consummation of the merger may be significantly delayed ue to various factors, including potential litigation related to the Merger.

If the Mergeris not consummatedr significantly delayed our ongoing business financial condition and results of operations may be materially adversely affected and the market price of our commonstock may decline significantly, particularly to the extent that the current market price reflects a market assumption that the Merger will be consummated. If the consummation of the Merger is delayed, including by the receipt of a competing acquisition proposal, our business, financial condition and results of operations may be materially adversely affected.

In addition, we have incurred and will incursubstantia expense in connection with the negotiation and completion of the transaction scontemplated by the Merger Agreement. If the Merger is not completed or significantly delayed, we would have to recognize these expenses without realizing the expected benefits of the Merger. Any of the foregoing, or other risks arising in connection with the failure of or delay in consummating the Merger, including the diversion of management attention from pursuing other opportunities and the constraints in the Merger Agreement on our ability to make significant changes o our ongoing business during the pendency of the Merger, could have a material adverse ffect on our business, financial condition and results of operations.

Additionally, our busines snay have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management in the Merger, without realizing any of the anticipated benefits of completing the Merger, and the market price of our common stock might decline to the extend that the current market price reflects a market assumption that the Merger will be completed. If the Merger Agreement is terminated and a party is board of directors seeks another merger or busines combination our stockholder cannot be certain that we will be able to find a party willing to engage a transactior on more attractive terms than the Merger.

We Will be Subject to Business Uncertainties and Contractual Restrictions While the Merger is Pending.

Uncertaintyaboutthe effect of the Merger on employeescustomerssuppliers and vendors may have an adverse effect on our business financial condition and results of operations. These uncertainties may impair our ability to attract, retain and motivate key personne and customer spending the consummation of the Merger, assuchpersonne and customers may experience uncertainty about their future roles and relationship sollowing the consummation of the Merger. Additionally, these uncertainties could cause our customers suppliers, vendors and others with whom we deal to seek to change or fail to extend existing business elationship swith us. In addition, competitors may target our existing customers by highlighting potential uncertainties and integration difficulties that may result from the Merger.

Thepursuitof the Mergerand the preparation for the integration may place aburder on our management and internal resources Any significant diversion of management the transition and integration process could have a material adverse flect on each company is divisiness, financial condition and results of operations.

In addition, the Merger Agreement restricts from taking certain actions without Franklin Templetons and set while the Merger is pending. If the Merger is not completed these restrictions could have a material adverse frect on our business financial condition and results of operations Please set he section entitled is 1/2 TAgreement and Plan of Merger Covenant Regarding Conductor Business the Company and its Subsidiaries Prior to the Merger is journess to the restrictive covenant sepplicable to us and Franklin Templeton.

Litigation AgainstUs or Franklin Templeton or the Membersof Our or Franklin TempletonBoard of Directors, Could Preventor Delay the Completion of the Merger.

While we and Franklin Templetorbelievethat any claims that may be asserted by purported stockholder plaintiffs related to the Merger would be without merit, the results of any such potential legal proceeding are difficult to predict and could delayor prevent he Merger from being competed a timely manner Moreover any litigation could be time consuming and expensive could divert our and Franklin Templeton station and generation and expensive could divert our and Franklin Templeton members of our or Franklin Templetor board of directors, could have a material adverse ffect on each party station and condition and results of operations.

One of the conditions to the consummation of the menger is the absence of any statute, regulation, executive order, decree, ruling, temporary restraining order, preliminary or permanent njunction or other order issued by a court or other government in the Merger Consequent furisdiction having the effect of making the Merger illegal or otherwise prohibiting consummation of the Merger. Consequently if a settlement other resolution is not reached n any lawsuit that is filed or any regulatory proceeding and a claimant secure injunctive or other relief or a regulatory authority issues an order or other directive having the effect of making the Merger, then such injunctive or other relief may prevent the Merger from becoming effective in a timely manner at all.

Risks Related to our AssetManagementBusiness

Poor InvestmentPerformanceCould Leadto a Lossof AssetsUnder Managementand a Decline in Revenues

We believe that investment performances one of the most important factors for the maintenance and growth of our AUM. Poor investment performance either on an absoluteor relative basis, could impair our revenues and growth because:

�existing clients might withdraw funds in favor of betterperforming products, which would result in lower investmentadvisory and other fees;

- ï¿1/2our ability to attractfundsfrom existing and new clients might diminish; and
- ï¿1/2negativeabsoluteinvestmenperformancevill directly reduceour managedassetsand revenues.

If our revenue sdeclinewithout a commensurate duction our expenses our net income will be reduced From time to time, severable our assetmanagers avegenerate of our investment performance on a relative basis or an absolute basis, in certain products or accounts that they managed which contributed to a significant reduction in their AUM and revenue and a reduction performance s, and some of our assetmanagers urrently face these issues. We face periodic performances us with certain of our products and there is typically a lag before improvements in investment performance.

producæpositiveeffectonasseflows. In addition, the assetmanagemenindustry has experience a continued weakening in the correlation betweenstrong investmen performancænd increase asset lows. There can be no assurances to when, or if, investmen performances uses on egatively influence our AUM and revenues.

Theoutbreakandspreadof contagious lise as esuch as COVID-19, a highly transmissible and pathogenic lise as e, has resulted and will likely continue to result in a wide spreach ational and global public healthcrisis, which hashad, and we expect will continue to have, an adverse frect on our business financial condition and results of operations. Infectious illness outbreaks or other adverse public health developments in countries where we operate as well as any local, state and/or national government restrictive measure simplemented to control such outbreaks, could adversely affect the economies of many nations or the entire global economy the financial condition of individual issuers or companies and capital markets in ways that cannot necessarilly efore seen and such impacts could be significant and long term. In addition, these vents and their aftermaths may cause investor fear and panic, which could further adversely affect in unfore see able ways the operations and performance of the companies sectors nations, regions in which we invest and financial markets in general. The COVID-19 pandemich as already adversely affected and will likely continue to adversely affect global economic and markets and has resulted in a global economic activities, services travel and supplychains. Global and national health concerns and uncertainty regarding heimpact of COVID-19, could lead to further and/oincrease do latility in global capital and credit markets adversely affect our key executive and other personnel clients, investors providers, suppliers Jessees and other third parties, and negatively impact OUM.

Like many other global investmentmanagemenorganizations, our businessand the businesses four asset managemenaffiliates, havebeenandwill likely continueto be negatively impacted by the current COVID-19 pandemic and ensuing conomic down turnin global financial markets. The global spread f COVID-19, and the various governmental actions and economic effects resulting from the pandemic have had, and are expected to continue to have negative impacts on our business and operations including decreased setvalues, reduced terms our products and services concerns for and restrictions on our personne (including health concerns quarantines shelter in-place orders and restrictions on travel), and increased by ber security risks. The economic down turn related to COVID-19 has caused and is expected o continue to cause decrease and fluctuations in our AUM, revenue and income, increase diquidity risks and redemptions in our funds and other products (which could result in difficulties obtaining cashto settlered emptions) poor investment performance of our products and corporate investments increase docus on expensemanagement; apital resource and related planning, and could cause reputation aharm, legal claims, and other factors that may arise or develop.

In order to remain competitive, we must continue to perform our assetmanagementand related business responsibilities for our clients and investors properly and effectively throughout the course of the COVID-19 pandemic and the following recovery which, amongother matters is dependent in the healthands afety of our personnet and their ability to work remotely successfully. While we have implemented ur busines continuity plans globally to manage our busines soluring this pandemic including broadwork-from-home capabilities for our personnet, here is no assurance that our efforts and planning will be sufficient to protect the healthands afety of our personnet, here is no assurance that our business. Further, we dependent a number of third-party providers to support our operations and any failure of our third-party providers to fulfill their obligation could adversely impact our business. Moreover, we now have an increased dependency on remote equipment and connectivity infrastructure access prize and additionally, multiple regions in which we operate have implemented movement restrictions, which impact our personnet and third-party vendors and service providers and may affect our ability to satisfy respondimely to potential technology is sues or needs impacting our business and operations. If our cyberse curity diligence and efforts to offset the increase disks associated with greater reliance on mobile, collaborative and remote technologies furing this healthcrisis are not effective or successful we may be at increase disk for cyberse curity data privacy incidents.

TheCOVID-19 pandemiccontinues o evolve, and it is not possible o predict the extent to which the coronavirus, or any inability of the global economy to successfully ecover from it, will adversely impact our business iquidity, capital resources and financial results and operations which impacts will dependen numerous developing factors that are highly uncertain and rapidly changing. The impacts and risks describe therein relating to COVID-19 augment the discussion of overlapping risks in our risk factors below, which may be heightened by COVID-19.

IncreasedGeopoliticalUnrest and Other EventsOutsideOf Our Control Could AdverselyAffect the Global Economy or Specific International, Regional and DomesticMarkets, Which May CauseOur AUM, Revenueand Earnings to Decline.

Geopoliticalrisks, including those arising from tradetension, Europear fragmentation unrestin the Middle East, post-Brexitnegotiation shatmay pose challenge so our Europearo peration and resultin additional costs for our European operation shatmay impedeour growth or impact our financial performance and terroristactivity, as well as acts of civil or internationahostility, are increasing Similarly, otherevents outside of our control, including natural bis asters pandemics or health crises (such as COVID-19)), may arise from time to time. Any such events, and response shereto, may cause significant volatility and declines in the global markets, disruptions to commerce (including to economic activity, travel and supply chains), loss of life and property damage and may adversely affect the global economy or capital markets, as well as the Company solution, vendors and employees which may cause our AUM, revenue and earning to decline.

AssetsUnder ManagementMay Be Withdrawn, Which May ReduceOur Revenuesand Net Income

Our investmentadvisory and administrative contracts are generally terminable at will or upon relatively short notice, and investors in the mutual funds that we managemay redeem their investments in the funds at any time without prior notice. Institutional and individual clients can terminate their relationships with us, reduce the aggregate amount of AUM, or shift their funds to other types of accounts with different rate structures for any number of reasons including investment performance changes in prevailing interestrates, changes in investment preferences of clients, changes in our reputation in the market place changes in management or control of clients or third-party distributors with whom we have relationships loss of key investment management or other personne and financial market performance. In addition, there has been a trend of investors shifting to alternative passive and smart betastrategies as a result, some actively managed core equities and fixed income portfolios are declining as a share of global AUM. In addition, in a declining securities market, the pace of mutual fund redemptions and with drawal of assets from other account sould accelerate. Poor investment performance generally or relative to other investment management in the tends to result in decrease of unchases of fund shares and the loss of institutional or individual accounts.

We have experience detout flows of equity AUM for the last 15 fiscal years due in part to invest men performance issues During fiscal years 2020 and 2019, we had \$6.4 billion and \$8.0 billion of net client outflows, respectively primarily in equity assets in fiscal year 2020 and primarily in equity and fixed income in fiscal year 2019.

If We Are Unableto Maintain Our FeeLevelsor If Our AssetMix Changes.pur Revenue and Margins Could Be Reduced

Our profit margins and net income are dependenin significant part on our ability to maintain current feelevels for the products and services that our assetmanagers offer. There has been a trend toward lower fees in many segments of the assetmanagement dustry and there is feepressure in many portions of the active equity and fixed income industry, driven in part by inflows into low-fee passive assetmanagement our search and we face continue dmarket pressure with respect to fee levels for many products. In addition, in the ordinary course of our business, we may reduce or waive investment management to tale xpenses on certain products resrvices for particular time periods to manage fundex penses, or for other reasons and to help retain or increase manage dessets No assurances and begiven that we will be able to maintain our current fee structure. Competition could lead to our asset managers educing the feesthat they chage their clients for products and services Seeï ¿ ½ Competition the Asset Management are either industry wide or specifically targeted, or court decisions A reduction in the feesthat our asset managers hage for their products and services will reduce our revenues and could reduce our net income. These factors also could inhibit our ability to increase fees for certain products.

Our AUM cangeneratevery different revenue sperdollar of managed assets based on factors such as the type of assetmanaged (alternative assets and equity assets generally produce greater revenues than fixed income assets) the type of client (institutional clients generally pay lower feest than other clients), the type of assetmanagement roductor service provided and the fee schedule of the assetmanage providing the service. A shift in the mix of our AUM from higher revenue-generating sets lower revenue-generating sets and yresult a decrease our revenue sevenif our aggregate

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level of AUM remainsunchangeor increases decreasion our revenues without a commensurate duction in expenses, will reduce our net income.

Our Mutual Fund ManagementContractsMay Not Be Renewed, Which May Reduceour Revenues and Net Income

A significant portion of our revenue comes from managing U.S. mutual funds. We generally manage these funds pursuant to management on tracts with the funds that must be renewed and approved by the funds' boards of directors annually A majority of the directors of each mutual fund are independent rom us. Although the funds' boards of directors have historically approve the four management on tracts there can be no assurance that the board of directors of each fund that we manage will continue to approve the funds ignament on tracts adverse ous. If a mutual fund management on tract is not renewed or is revised in a way that is adverse ous, it could result in a reduction in our revenue and, if our revenues decline without a commensurate duction in our expenses our net income will be reduced.

Unavailability of AppropriateInvestmentOpportunitiesCouldHamperour InvestmentPerformanceor Growth

An important component investment performances the availability of appropriate investment portunities or new client funds. If any of our assetmanager are not able to find sufficient investments or new client assets in a timely manner the assetmanager investment performance ould be adversely affected Alternatively, if one of our assetmanagers does not have sufficient investment poportunities for new funds, it may elect to limit its growth by reducing the rate at which it receives new funds. Depending on, among other factors, prevailing market conditions, the assetmanager's investments tyle, regulatory and other limits and the market sectors and types of opportunities in which the assetmanager typically invests (such as less capitalized companies and other more thinly traded securities in which relatively smaller investments are typically made), the risks of not having sufficient investment poportunities may increase when an asset manageincrease is AUM, particularly when the increase ccurs very quickly. If our assetmanager are not able to identify sufficient investment poportunities or new client funds, their investment performance ability to grow may be reduced.

Changesin SecuritiesMarkets and PricesMay Affect our Revenuesand Net Income

A large portion of our revenue's derived from investmentadvisory contracts with clients. Under these contracts, the investmentadvisory fees we receive are typically based on the market value of AUM. Accordingly, a decline in the prices of securities generally may cause our revenue and income to decline by:

�causingthe value of our AUM to decrease which would resultin lower investmentadvisory and otherfees;
 �causing our clients to withdraw funds in favor of investments heyperceive offer greate opportunity or lower risk, which would also result in lower investmentadvisory and otherfees; or
 �decreasing heperformance eese arne by our assetmanagers.

Thereareoftensubstantiafluctuations price levels in the securities markets. These fluctuations can occur on a daily basis and over longer periods as a result of a variety of factors, including national and international economic and political events, broad trends in business and finance, and interestrate movements Reduced securities market prices generally may result in reduced revenues from lower levels of AUM and loss or reduction in advisory incentive and performance fees. Periods of reduced market prices may adversely affect our profitability because fixed costs remain relatively unchanged. Because operate in one industry, the business cycles of our asset managers may occur contemporaneously Consequently the effect of an economic down turn may have a magnified negative effect on our business.

In addition, as of March31, 2020, a substantiabortion of our invested assets consisted of securities and otherseed capital investments A decline in the value of alternative sequity or fixed incomes ecurities could lower the value of these investments and result in declines in our non-operating income and net income. Increases r decreases the value of these investments could increase the volatility of our earnings.

Changesin InterestRatesCould HaveAdverseEffectson our AssetsUnder Management

Increases in interestrates may adversely affect the net assetvalues of our AUM. In addition, in a rising interest rate environment institutional investors may shift liquidity assets hat we manage in pooled investment we hicles to direct investments in the types of assets in which the pooled vehicles investin order to realize higher yields than those available in money market and other products or strategies holding lower-yielding instruments Furthermore increases in interest rates may result in reduce prices in equity markets. Conversely decreases in interest rates could lead to outflows in fixed income or liquidity assets hat we manages investors seek higher yields. Any of these ffects could lower our AUM and revenues and, if our revenues decline without a commensurate duction in our expenses our net income will be reduced.

Thelow interestrateenvironments perience in prior years adversely affected the yields of money marketfunds, which are base on the income from the underlying securities estimates are at or near zero, the operating expenses of money marketfunds may be comegreater than the income from the underlying securities which reduces the yield of the money marketfunds to very low or negative evels. In addition, bank deposits may be comemore attractive to investors and money marketfunds could experience edemptions which could decreas our revenues and net income. During fiscal year 2014 through fiscal year 2017, we voluntarily waived certain feesor assume dexpenses of money marketfunds for competitive reasons such as to maintain competitive yields, which reduce duradvisory fee income and net income. The actual amount of feeswaived was dependent on a number of variables including, among others, changes in the net assets held by our money marketfunds, changes in market yields, changes in the expense vels of the funds, and our willing ness to voluntarily continue such fee waivers. We experience during the expense of the funds and our willing from the effects of COVID 19 may result in a return to fee waivers.

Competitionin the AssetManagementIndustry Could Reduceour Revenuesand Net Income

The assetmanagement industry in which we are engageds extremely competitive and we face substantial competitionin all aspects four business. We compete base don a number of factors, including: investment berformance, the level of feeschaged, the quality and diversity of service and product sprovided, name recognition and reputation and the ability to develop new investments trategies and products to meet the changing needs of investors. The introduction of new technologies as well as regulatory changes have altered the competitive landscape or asset managers which may leadto feecompressionor requireus to spendmore to modify or adaptour productofferings to attract and retaincus tomers and remain competitive with products and services offered by other financial institutions, technology companies trading, advisoryor assetmanagemenfirms. Our competitionincludesnumerousinternationaland domesticassetmanagement firms and broker dealers mutual fund complexes hedgefunds, commerciabanks insurance companies other investment companies and other financial institutions. Many of these organizations offer products and services that are similar to, or competewith, thoseofferedby our assetmanagerandhavesubstantiallymorepersonneandgreaterfinancial resources thanwe do. Someof these competitors have proprietary products and distribution channels that make it more difficult for us to competewith them. In addition, many of our competitorshavelong-standing and established elationships with distributorsand clients. From time to time, our assetmanager also compete with each other for clients and assets under managemenOurability to competenay beadversely affected f, amongo the things, our assetmanager to sekey employees or, ashasbeenthecase or certain of the products manage by our asset managers under performin comparison or relevant performancebenchmarksr peergroups.

Theassetmanagementitdustryhasexperience from time to time the entry of many new firms, as well assignificant consolidation a number of several several

example there is a trend in the assetmanagement usines in favor of passive products uchas index and certain types of ETFs, which favors our competitors who provide those products over active managers ike our assetmanagers. Investors are increasingly attracted o lower fee passive products, which have gained and may continue to gain share at the expense of active products like the ones manage by our affiliates, and we continue to face market pressure segarding fee levels in certain products. In addition, our assetmanagers are not typically the lowest cost provider of assetmanagement ervices. To the extent that we competeen the basis of price in any of our businesses we may not be able to maintain our current fee structure in that business which could adversely affect our revenue and net income. In the retail separately nanaged account program business there has been at rend toward more open programs that involve more assetmanagers who provide only investment models which the financial institutions ponsor's mployees set o allocate assets. A number of the programs for which we provide service shave followed this trend, and additional program could do so in the future. This trend could result in AUM retention such addition alcompetition within the programs particularly for products with performance issues and reduced management ess, which are typical results of providing investment models whethan advisory services.

Our busines is assetmanagement a result, we may be more affected by trends and issue affecting the asset management dustry, such as industry-wide regulatory issue and inquiries, publicity about, and public perception of the industry and assetmanagement dustry market cycles, than other financial service companies that have more diversified businesses.

Failure to ProperlyAddressthe IncreasedTransformativePressuresAffecting the AssetManagementIndustry Could NegativelyImpact our Business

The assetmanagementhdustry is facing transformative pressure and trends from a variety of different sources including:

- ï¿1/2Increasedleepressure;
- i¿1/2Increased/emandrom clientsanddistributorsfor client engagementandvalue-addedservices;
- ï¿1/2Divergent central bank monetarypolicies between the U.S Federal Reserve and the central banks of other developed conomies;
- �A continuedshiftawayfromactivelymanagedcoreequitiesandfixed incomestrategieandtowardsalternative, passive and smartbetastrategies;
- �A trendtowardsinstitutionsdevelopingfewerrelationshipandpartnerandreducingthenumberof investment managersheywork with;
- �Increased regulatory activity and scrutiny of many aspects of the assetmanagement industry including transparency/unbundling fees, inducements conflicts of interest, capital, liquidity, solvency leverage, operational isk management controls and compensation;
- �Addressingthe key emeging marketsin the world, suchas China and India, which often havepopulations with different needs preference and horizons than the more developed U.S. and Europeanmarkets; and
- ï¿1/2Advancesin technologyandincreasingclient interestin interactingdigitally with their investmentportfolios.

As a result of the trends and pressures is cussed bove, the asset management hdustry is facing an increase devel of disruption. If we are unable to adapt our strategy and business to adequately address these trends and pressures is ted above, we may be unable to satisfactorily meetclient needs our competitive position may weak en and our business sesults and operations may be adversely affected.

We May Support Government and Retail Money Market Funds to Maintain Their StableNet AssetValues, or Other Products We Manage, Which Could Affect our Revenues or Operating Results

Approximately6% of our AUM asof March 31, 2020, consisted of assetsin government retail moneymarket funds. Money marketfundsseekto preservæ stablenet assetvalue. While the SEC has implemented ules requiring any institutional primemoneymarketfund and any institutional municipal (or tax-exempt) moneymarketfund that is registered under the Investment Company Act of 1940 to utilize market-based aluations to calculate a floating NAV, government and retail moneymarketfunds can continue using current pricing and accounting methods to seek to maintain a stable NAV. Market conditions could lead to sever diquidity or security pricing issues, which could impact the NAV of money marketfunds. If the NAV of a moneymarketfund managed by our asset managers vere to fall below its stablenet asset value, we would likely experiences ignificant redemptions in AUM and reputational harm, which could have a material adversæffect on our revenues or net income.

If a governmenbr retail moneymarketfund'sstableNAV comesunderpressurewe may elect, as we havedone in the past, to provide credit, liquidity, or other support to the fund. We may also elect to provide similar or other support, including by providing liquidity to a fund, to other products we manage or any number of reasons of the elect to provide support, we could incur losses from the support we provide and incur additional costs, including financing costs, in connection with the support. These losses and additional costs could be material and could adversely affect our earnings.

Failure to ComplyWith Contractual Requirementsor GuidelinesCould Resultin Liability and Lossof Assets Under Management,Both of Which Could Causeour Net Income to Decline

The assetmanagement on tracts under which we manage lient assets including contracts with investment unds, often specifyguidelines or contractuate quirement that we are obligated o observe in providing assetmanagement ervices. A failure to comply with the seguidelines or requirements could result in damage our reputation, liability to the client or the client reducing its assets under our management my of which could cause our revenue and net income to decline. This risk is increased by the trend toward customized specialized mandate seen by many of our assetmanagers which tends to result in more complex mandate to administer.

The Soundness of Other Financial Institutions Could Adversely Affect our Business

Volatility in the marketshashighlighted the interconnection of the global markets and demonstrated with deteriorating inancial condition of one institution may materially and adversely mpact the performance of other institutions. We, and the funds and account shat we manage have exposure on many different industries and counterparties and routinely executed ransactions with counterparties in the financial industry. We, and the funds and accounts we manage may be exposed o credit, operationab otherrisk in the event of a default by a counterparty or client, or in the event of other unrelated system idail ures in the markets.

Performance-Base Gree Arrangements May Increase the Volatility of our Revenues

A portion of our total revenue is derived from performance es. Our assetmanagers amperformance es under certain client agreement if the investment performance in the portfolio meets or exceeds a specified benchmark of the investment of the investment of the investment of the portfolio meets or exceeds a specified benchmark of the investment of the investment of the investment of the investment of the performance of the investment of the portfolio meets or exceeds a specified benchmark of the investment of the i

We Rely Significantly on Third Partiesto Distribute Mutual Funds and Certain Other Products

Our ability to market and distribute mutual funds and certain other investmentproducts that we manageis significantly dependenon access to third-partyfinancial intermediaries that distribute these products. These distributors are generally not contractually required to distribute our products, and typically offer their clients various investment products and services including proprietary products and services in addition to and in competition with our products and services Relying on third-party distributors also exposes is to the risk of increasing costs of distribution, as we compensate them for selling our products and services in amounts that are agreed between the mandus but which, in many cases are largely determined by the distributor. There has been a continuing trend of increasing feespaid to certain distributors in the assetmanagemen business and certain of our distribution costs have increased as a result. While the third-party distributors are compensate for distributing our products and services there can be no assurances at we will be successful in distributing our products and services them. In addition, mergers and other corporate transactions among distributors may affect our distribution relations hips if we are unable to distribute our products and services sfully.

it will adverselyaffect our revenues and net income, and any increase in distribution-related expense could adversely affect our net income.

Our Funds-of-HedgeFunds BusinessEntails a Number of Additional Risks

EnTrust Global operates portion of its business in the internationalfunds-of-hedgeunds business, which is subject a number of regulatory authorities and requirement in different jurisdictions. The funds-of-hedgeunds business typically involves clients being charged fees on two levels- at the funds-of-funds evel and at the underlying funds level. These fees may include management be sand performance fees. There can be no assurance that EnTrust Global will not be forced to change its fee structure by competitive or other pressures or that EnTrust Global's fee structures will not hamperits growth. The funds-of-hedge funds industry has been undersignificant pressure in recent years and has seen significant outflows. There can be no assurance that this pressure will not continue In addition, EnTrust Global may generate significant performance fees from time to time, which could increase the volatility of our revenues See i 21/2 Performance-Based Fee Arrangement May Increase the Volatility of our Revenues. i 21/2

Risks Related to our Company

Our Leverage May Affect our Businessand May Restrictour Operating Results

At March 31, 2020, on a consolidate basis, we had approximately \$2.0 billion in total indebtedness and total stockholders equity of \$3.8 billion, and our good will and other intangible assets were \$1.8 billion and \$3.4 billion, respectively We also have an additional \$500.0 million of borrowing capacity available under our revolving creditfacility. As a result of this substantial ndebted ness we are currently required to use a portion of our cashflow to service interest on our debt, which will limit the cashflow available for other busines sport unities In addition, these ervicing obligations will increase in the future as the principal payments on this debt becomed ue or if we incur additional indebted ness.

Our ability to makeschedule@aymentsof principal, to payinterest or to refinanceour indebtednesandto satisfy our other debtobligations will depend ponour future operating erformance which may be affected by general conomic, financial, competitive, legislative, regulatory business and other factors beyond our control and by a variety of factors specific to our business.

The level of our indebtednessould:

- i¿1/2limit ourability to obtain additional debtfinancing in the future or to borrow under our existing creditfacilities (our principal bank debtfacility requires that (i) our ratio of net debt(total debtless the amount of unrestricted cashin excess of the greater of subsidiary cashor \$300 million, the lesser of 50% of the aggregatë; 1/2 amount of our seechapital investments or \$125 million, and an amount equal to 50% of our hybrid capital securities to Consolidated EBITDA (as defined therein) not exceed 3 to 1, and (ii) our ratio of Consolidated EBITDA to total cashin teres to a ymments on certain Indebted nes (as defined therein) exceed \$4.0 to 1);
- ï¿1/2limit cashflow availablefor generaborporatepurposesdueto theongoingcashflow requirements or debt service;
- ï¿1/2 limit ourflexibility, includingourability to react to competitive and other change in the industry and economic conditions; and
- "i & i & place us at a competitive disadvantage on paredo our competitors that have less debt.

As of March31,2020, under the terms of our bank credit agreemend ur ratio of net debt to Consolidate **E**BITDA was1.9 to 1 and our ratio of Consolidate **E**BITDA to interest expense was6.1 to 1, and, therefore, we were in compliance with our bank financial covenants our net income significantly declines for any reason; the may be difficult to remain in compliance with these ovenants Similarly, to the extent that we spendbur available cash for purpose therthan repaying debt or acquiring businesses that increase our EBITDA, we will increase our net debt to Consolidate **EBITDA** ratio. Although the reareaction shat we may take if our financial covenants.

Our accesso crediton reasonableermsis alsopartially dependenon our creditratings. If our creditratings are downgraded it will likely becomemore difficult and costly for us to access he creditmarkets or otherwise incur new debt.

Upontheoccurrence f various events such as a change f control, some or all of our outstanding debtobligations may come due prior to their maturity dates and may require payments in excess of their outstanding amounts, which in certain circumstance may be significant.

If our Reputationis Harmed, We Could Suffer Lossesin our Business, Revenues and Net Income

Our busines sepends nearning and maintaining the trust and confidence of clients and other market participants, and the resulting good reputations critical to our business Our reputations vulnerable o many threats that can be difficult or impossible to control, and costly or impossible to remediate Regulatory inquiries, employeem is conduct and rumors, amongo therthings, can substantially damage urreputation even if they are baseles or satisfactorily addressed Regulatory sanctions or adverse titigation results can also cause substantial amage our reputation. Any damage our reputation could impede our ability to attract and retain clients and key personnel and lead to a reduction in the amount of our AUM, any of which could have a material adverse flect on our revenues and net income.

Failure to Properly AddressConflicts of Interest Could Harm our Reputation, Businessand Results of Operations

As we have expanded hescope of our businesses indour client base, we must continue of address onflicts between our interests and those of our clients. In addition, the SEC and other regulators have increased heir scrutiny of potential conflicts of interest. We have procedure and controls that are reasonably designed to address these issues. However, appropriately dealing with conflicts of interests complex and difficult and if we fail, or appear to fail, to deal appropriately with conflicts of interest, we could face reputationad amagely tigation or regulatory proceedings r penalties any of which may adversely affect our revenues or net income.

Lossof KeyPersonnelCould Harm our Business

We are dependent on the continued services of our key asset management berson near dour management team. The loss of any of such personnel without adequate eplacement ould have a material adverse ffect on us. Moreover sincecertain of our assetmanagersperate with leanmanagementer am and contributes ignificantly to our revenues and netincome, the loss of evena small number of key personneat these businesses ould have a disproportion at empacton our overall business Additionally, we needqualified managers and skilled employees with assetmanagement experience in order to operate our business successfully The market for experience desset management professional is extremely competitiveandis increasingly characterize by the movement of employees mong different firms. Due to the competitive marketfor assetmanagement professional and the succes of some of our employees our coststo attract and retainkey employeesaresignificantandwill likely increase vertime. From time to time, we may work with key employees revise revenuesharingarrangements and other employment-relate therms to reflect current circumstances including in situations wherea revenues having arrangement have sultin insufficient revenues being retained by the subsidiary In addition, since the investmenttrack record of many of our products and services is often attributed to a small number of individual employeesandsometimesoneperson, the departure of one or more of these employees could cause the businesso lose client accountor managed assets which could have a material adverse ffect on our results of operation and financial condition. If we are unable o attract and retain qualified individuals or our costs o doso increase ignificantly our operations and financial results would be materially adversely affected.

Our Businessis Subjectto NumerousOperationalRisks

We face numerous perationalisks related to our businesson a day-to-daybasis Among other things, we must beable to consistently and reliably obtains ecurities pricing information, process rading activity, process lient and investor transactions and provide reports and other customes ervice to our clients, investors and distributors Failure to keep current and accurate books and records can render us subject to disciplinary action by government and self-regulatory authorities, as well as to claims by our clients. A portion of our software is licensed from and supported by outsidevendor supon whom we rely to prevent operating system failure. A suspension or termination of the selicenses or the related support, upgrades and maintenance ould causes ystem delays or interruption. If any of our financial, portfolio accounting or other data processing systems or the systems of third parties on whom we rely, do not operate properly or are disabled or if there are other short comings or failures in our internal process especies or systems or those of third parties on whom we rely, we could suffer an impairment o our liquidity, a financial loss, a disruption of our business establity to clients, regulatory problems or damage o our reputation. These systems may fail to operate properly or becomed is able das a result of events that are wholly or partially beyondour control, including a disruption of electricalor communications ervices or our inability to occupy one or more offices. In addition, our operations are dependentupon information from, and communications with, third parties, and operation abroblems at third parties may adversely affect our ability to carry on our business.

We dependen our headquarters he offices of our subsidiaries our operation centers and third-party providers for the continued peration of our business. The failure to maintain an infrastructur commensurate with the size and scope of our business a disaster a disruption in the infrastructure that supports our assetmanagers or an event disrupting the ability of our employees operform their job functions including terroristattacks pandemic health crisis (such COVID-19) or a disruption involving electrical communications transportation or other service used by us or third parties with whom we conduct business directly affecting our headquarters heoffices of our subsidiaries our operation centers or the travel of our sales, client service and other personnel may have a material adverse impact on our ability to continue to operate our business without interruption impede the growth of our business. Although we have disaster recovery and business continuity programs in place, the recan be no assurance that these will be sufficient to mitigate the harm that may result from such a disaster or disruption. If we fail to keep business continuity plansup-to-dateor if such plans, including secure back-upfacilities and systems are improperly implemented or deployed during a disruption, our ability to operate could be adversely impacted or our ability to comply with regulatory obligations leading to reputation aharm, regulatory fines and sanctions in addition, insurance and others afeguard sight only partially reimburse or our losses.

Failure to implementeffective information and cybersecurity policies, procedure and capabilities could disrupt operations and cause financial losses

Our operationsely on the effectiveness of our information and cyberse curity policies, procedure and capabilities to provide secure processing storage and transmission of confidential and other information in our computersystems, networks and mobile devices and on the computersystems networks and mobile devices of third parties on which we rely. Although we take protective measure and endeavoito modify them as circumstances warrant, our computersystems, software, networks and mobile devices, and those of third parties on whom we rely, may be vulnerable to cyberattacks, sabotage unauthorize access computer viruses, worms or othermalicious code, phishing scams and other events that have a security impact. In addition, our interconnectivity with third-party vendors advisors central agents exchanges clearing houses and other financial institutions may be adversely affected if any of the mare subject to a successful yberattack or other information security event. While we collaborate with clients, vendors and other third parties to develop secure transmission capabilities and protect agains by berattacks, we cannot ensure that we or anythird parties has all appropriate controls in place to protect the confidentiality of such information. In addition, our increased use of mobile and cloud technologies ould heighter these and other operationalisks and any failure by mobile technology and cloud service providers to adequately affeguard heir systems and provency be rattacks could disrupt our operations and result in misappropriation, corruption loss of personal confidential or proprietary information.

An externallycaused information security incident, such as a hacker attack, virus or worm, or an internally caused issue such as failure to control accesso sensitive systems could materially interrupt busines perations r caused is closure or modification of sensitive confidential client or competitive information and could result in material financial loss, loss of competitive position, regulatory actions, breach of client contracts reputation a harmor legal liability.

Therehavebeen a number of highly publicized cases involving financial services and consume based companies reporting the unauthorized is closure of client or custome information, as well as cyber attacks involving the dissemination, the ft and destruction of corporate information or otherassets as a result of failure to follow procedures by employees or contractors or as a result of actions by third parties, including actions by terrorist organizations and hostile foreign governments Cyber security incidents and cyber attacks have been occurring globally at a more frequent and sever devel. We have been the target of attempted cyber attacks and must monitor and developour systems o protect our technology infrastructure and data from misappropriation corruption, as the failure to do so could disrupt our operations and adversely affect our business. Although we take protect ive measures and endeavors os strengther our computer systems of these measures prove effective.

 $\label{eq:any-information} Any information security incidentor cyber attack agains \textbf{u} sorthird parties with whom we are connected including any interception mishandling rms use f personal confidentials proprietary information, could result in material financial formation and the security of the se$

loss, loss of competitiveposition, regulatoryfines and/orsanctionsbreachof client contracts, reputationa harmor legal liability, which, in turn, may causour revenue and earning to decline.

Failure to EstablishAdequateControls and Risk ManagementPolicies, or the Circumvention of Controls And PoliciesCould Have an AdverseEffect on our Reputationand Financial Position.

We have a multiple risk management roces and continue to enhance arious controls, procedure policies and systems to monitor and managerisks to our business however, we cannot be assured that such controls, procedure spolicies and systems will successfully dentify and managenternal and external risks to our business. We are subject to the risk that our employees contractors or other third parties may deliberately seek to circumvent established controls to commit fraud (including through cyber breaches) actin ways that are inconsistent with our controls, policies and procedures. Persistent or repeated attempts involving conflicts of interests circumvention of policies and controls or fraud could have a materially adverse impact on our reputation and could lead to costly regulatory inquiries.

We May Incur Right of UseAssetImpairment ChargesRelatedto LeasedFacilities

We continue to be exposed the risk of incurring charges related to subleases r vacants pacefor severable our leased offices. As of March 31, 2020, our right-of-use(i¿½ROUässé) swith commitments from third parties undernoncancellable subleases were approximately \$72 million. As of March 31, 2020, our total ROU assets for office space that we vacated and are seeking to sublease were approximately \$2 million, after impairment charges of approximately \$4 million recognized in fiscal year 2020. Undergenerally accepted accounting principles, when the carrying value of a ROU assets deemed on the fully recoverable (i.e. at the time a sublease is entered not or space deemed band oned), we must incura charge equal to the present/alue of the amounts by which the fixed rental commitments under the lease exceed the amount expected obereceived under a sublease if any. As a result, in a period of declining commercial easemarkets, we are exposed to the risk of incurring charges relating to any premises we are seeking to sublease essulting from longer periods to identify sub-tenants and reduced market rent rates leading to new sub-tenants paying less in rent than we are paying under our lease Also, if a sub-tenant effaults on its sublease we would likely incur a charge for the rent that we will incurduring the period that we expect would be required to sublease the premises and any reduction in rent that current market rent rates leading to new sub-tenants paying less in rent that we will incurduring the period that we expect would be required to sublease the premises and any reduction in rent that current market rent rates leading to our results of operations.

Potential Impairment of Goodwill and Intangible AssetsCould Increaseour Expensesand Reduceour Assets

Determininggood will and intangible assets and evaluating them for impairment requires significant management estimate and judgment including estimating value and assessing if e in connection with the allocation of purchas price in theacquisitioncreating them. Our good will and intangible assets may be comempaired as a result of any number of factors, includinglosses of investmentmanagement on tracts or declines in the value of manage dessets Any impairment of good will or intangiblescould have a material adverseffect on our results of operations For example, during the quarterended Decembe
B1,2018,weincurred\$365.2million of aggregatempairmenthages.Thesempairmenthageswerecomprised of \$274.6million and \$18.2million associated with our combined EnTrust Global indefinite-life fund management on tracts assetand tradenameasset, respectively and \$65.0 million, \$6.4 million, and \$1.0 million, associated with our RARE Infrastructurendefinite-lifefundmanagementontractsassetamortizableundmanagementontractsassetandtradename asset, respectively Subsequento December 31, 2018, no additional intangible assetimpairment chages have been recognized.As of October31, 2019, the date of our most recentannual impairment testing, the implied fair value of our GlobalAssetManagementeportingunit exceeded as carry value of \$1.9 billion by 22%. Further it was determined that the EnTrust Global indefinite-life fund management on tracts and traden ameassets achexperience datriggering event during the quarterended March 31, 2020. Accordingly, the impairment tests for these assets were updated as of March 31, 2020andtheresultingfair valuesexceededheir respective arrying values of \$126.8 million and \$10.3 million by 1% and 3%, respectively Changes in the assumption underlying projected cashflows from the assets reporting unit, resulting from marketconditions, reducedAUM or other factors, could result in an impairment of any of these assets.

Therecan be no assurance that continued market uncertainty or asserbut flows, or other factors, will not produce additional mpairments See 'Item 7. Management 'Biscussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies- Intangible Assets and Good will" and "Note 5 of Notes to Consolidate of Financial Statements."

Our DeferredTax AssetsMay Not Be Fully Realizable

As of March 31, 2020, we had approximately \$627 million in U.S. federal deferred ax assets which represent ax benefits have expect or realizein future periods. Under accountingules, we are required to recognize charge to earnings to reduce our deferred ax assets fit is determined hat any future tax benefits are not likely to be realized before they expire. Deferred tax assets generated in U.S. jurisdictions resulting from net operating loss esgenerally expire 20 years after they are generated. Those resulting from foreign tax credits generally expire 10 years after they are generated in order to realize these future tax benefits, we estimate that we must generate approximately \$3 billion in future U.S. earnings of which \$349 million must be foreign source dearnings before the benefits expire. The recambe no assurance that we will achieve this level of earning befores one portion of these tax benefits based in part upon our estimates of the timing of other differences in revenue and expense recognitions and ability to implement certaint ax planning strategies which may be revised to incorporate future changes in tax or accounting regulations. In addition, the value of our deferred ax assets based on enacted or porate ax reterior future periods. Legislative change selated to the serates would require a measurement our deferred ax assets in the period of enactment.

Ourestimateandassumptiondonotcontemplateertainpossiblefuturechangean theownership our common stock, which, under the U.S. Internal RevenueCode (the �Codeïgtk), limit our utilization of net operatingloss and foreigntax creditbenefits. Under the relevant Codeprovisions, an �ownerschipangeïgc cursif there is a cumulativenet increasen the aggregatewnership of our commonstock by �55% are holders (§\$% defined in the Code) of more than 50 percent of the total outstanding shares of our commonstock during arolling three-yeaperiod. An ownership changewould prospectively establishan annual limitation on the amount of pre-changenet operatingloss and foreign tax credit carry forwards we could utilize to reduce our tax liability. The amount of the limitation would generally equal the amount of our market capitalization immediately prior to the ownership changemultiplied by the long-term tax-exemptinterest rate in effect at that time. Such an ownership changewould impact the timing or amount of net operating loss or foreign tax credit benefits we ultimately realize before they expire. If we are required to recognize chage to earning to reduce our deferred ax assets the chage may be material to our earnings or financial condition.

We Are Exposed to a Number of RisksArising From our International Operations

Our assetmanagersperatein a number of jurisdictionsoutside of the United Stateson behalf of international clients. We have offices in numerous countries and many cross border and local proprietary funds that are domiciled outside the United States. Our international operations require us to comply with the legal requirements of various foreign jurisdictions, expose us to the political consequences operating in foreign jurisdictions and subject to expropriation risks, expatriation controls and potential adverse ax consequences which, among other things, make it more difficult to repatriate the United States the cash that we generate outside the U.S. At March 31, 2020, our total liquid assets which include cash, cash equivalents and certain current investments ecurities, were \$1.1 billion. These liquid assets include approximately \$334 million of cash and investments held by our foreign subsidiaries some of which, if repatriated may be subject to material tax effects.

In addition, we are exposed o certain risks related to the different currencies in which we transact and the home jurisdictions of certain securities in which our AUM is invested Uncertainties egarding developments in those jurisdictions can produce volatility in global financial markets and adversely impact our results of operations. This may impact the levels and composition of our AUM and also negatively impact investors entiment which could result in reduce our negative flows. In addition, because the U.K. Pound Sterling and the Euro are the currency used in certain aspects of our business, any weakening of the U.K. Pound Sterling Eurorelative to the U.S. Dollar could negatively impact our reported in ancial results.

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Despitecontrolsandotheractionsreasonablydesigned o mitigate these risks, our internationabperation expose us to risks arising from our potential responsibility for actions of third party agents and other representatives four business operating outside our primary jurisdictions of operation. Our foreign business perations are also subject to the following risks:

ï¿1/2 difficulty in managing operating and marketing our international operations;

- �fluctuationsin currencyexchangeateswhich may result in substantiahegativeffectson AUM and revenues in our U.S. dollar-based in ancial statements and
- ï¿1/2significantadversechangesin foreignpolitical, economic, legal and regulatory environments.

Legal and Regulatory Risks

RegulatoryMattersMay NegativelyAffect our Businessand Resultsof Operations

Our business's subjectto regulation various regulatory authorities around the world that are chaged with protecting the interests of our clients. We could be subject o civil liability, criminal liability, or sanction including revocation of our subsidiaries the gistration as investmentad visers, revocation of the licenses of our employees censures fines, or temporary suspension remanents are conducting business if we violate such laws or regulations. Any such liability or sanction could have a material adverse flect on our financial condition, results of operations, reputation, and business prospects addition, the regulatory environment which we operate frequently change and has seen significant increased regulation in recent years. Our profitability could be materially and adversely affected by modification of the rules and regulation and electron iccommerced particular, we have incurred and will continue to incur, significant additional costs as a result of regulatory change affecting U.S. mutual funds, change so Europe armutual fund regulation and recent changes to data privacy regulation in the U.K. and the EU which cameinto effect in May 2018.

We may be adverselyaffected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations. The challenges associated with consistently interpreting regulations sued in multiple countries may add to such risks. The U.S. federal government and governments non-U.S. jurisdictions in which we operate avemade, and have proposed urther, significant changes the regulatory structure of the financial services industry, and we expect to spendime and resources comply with these regulatory changes. For a summary of the laws, regulations and regulators to which we are subject, see $\frac{1}{2}$ item Business Regulation. $\frac{1}{2}$

Instances f criminal activity and fraud by participants in the assetmanagement industry disclosures f trading and otherabuses y participants in the financial services industry and significant government in the financial firms have led the U.S. government and regulators o increase the rules and regulations governing, and oversight of, the U.S. financial system. This activity has resulted in changes to the laws and regulations governing the assetmanagement industry and more aggressive inforcement of the existing laws and regulations. The ongoing revisions to the laws and regulations governing our business are an ongoing process. The cumulative effect of these actions may result in increase expenses or lower management of the revenues profitability of our business.

Our BusinessInvolvesRisksof BeingEngagedin Litigation, RegulatoryProceedingandTaxDisputes,Which May Resultin Liability That Could Increaseour Expenseand Reduceour NetIncome

Many aspectsof our businessinvolve substantialisks of liability. In the normal course of businessour asset managerare from time to time namedas defendantsor co-defendantin lawsuits, or are involved in dispute that involve the threat of lawsuits, seeking substantial amages. We are also involved from time to time in governmental and self-regulatory organization investigations and proceedings. No assurances an begiven as to how any regulatory matter might be resolved or the effect it may have on us or our business. In addition, we are involved in a tax disputein Brazil arising from matters elating to the tax deductibility of good will amortization with respect to the Brazilian business of our subsidiary. Western Asset Management The assessment betweere subject to the dispute for the years 2006 and 2007 were with drawn after we receive a favorable ruling in administrative ourt. The assessment of the years 2008 through 2010 were recently upheld by the judgment of the same evel administrative ourt (but by a different panel) that overrule the assessment or the previous period. We are in the process of appealing his result. The net amount of tax, interest and penalty at issue in the years subject our appeals over \$11 million (56 million BRL). If Add the only new assessments are resolved for the same evel subject of the same evel subject on the same even and the process of appealing the same even and the process of appealing the same even and the process of the tax and the process of the proces of the process of the process of the process of t

years2011 through2014 and the net amountat issue in those years over \$18 million (97 million BRL). It may take another three to five years or longer to achieve final resolution of this matterasit potentially could go through multiple levels of appeal. During that time, the current \$29 million (153 million BRL) amount in dispute could increased ue to additional interesta ccruals While there can be no assurance of the timing or outcome of this dispute or that we will receive additional favorable judgments in connection with this matter we and our local advisors continue to believe that our tax position is correct, and it is more likely than not that we will not be required to pay the taxes in question or any related interestand penalties

In addition, the investment funds that our assetmanagers nanager resubject to actual and threatened awsuits and government and self-regulatory organization investigations and proceedings any of which could harm the investment returns or reputation of the applicable fundor result in our assetmanager being liable to the funds for any resulting damages. There has been an increase incidence of litigation and regulatory investigations in the assetmanagement dustry in recent years, including customer claims as well as class actions uits seeking substantiad amages. Any litigation can increase our expenses and reduce our net income.

Insurance May Not Be Available on a Cost-EfectiveBasisto Protectus From Liability

We face the inherentrisk of liability related to litigation from clients, third-partyvendors or others and actions taken by regulatory agencies. To help protect against these potential liabilities, we purchase insurance in amounts and against risks, that we conside appropriate where such insurances available at prices we deem acceptable. There can be no assurance, however that a claim or claims will be covered by insurance, if covered will not exceed helimits of available insurance coverage that any insurer will remain solvent and will meet its obligations to provide us with coverage or that insurance coverage will continue to be available with sufficient limits at a reasonable cost. Insurance costs are impacted by market conditions and the risk profile of the insured and may increase significantly over relatively short periods. In addition, certain insurance coverage may not be available or may only be available at prohibitive costs. Renewals of insurance policies may exposed to additional costs through high erpremiums or the assumption of high erded uctibles or co-insurance is ability.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

We lease all of our office space Our head quarters and certain other functions are located n anoffice building in Baltimore, Maryland, in which we currently hold under lease approximately 846,000 squarefeet, of which approximately 175,000 squarefeet has been subleased by third parties and for which we are seeking enants to sublease an additional 41,000 squarefeet of the space.

Our assetmanager and other subsidiaries are housed in office buildings in 37 cities in 17 countries around the world. The largest of the leases include:

- i¿½ClearBridgeInvestments,WesternAsset Managementand our distribution and administrativeservices subsidiariescurrentlyoccupyapproximately130,000squarefeet in an office building located in New York, New York in which we hold underleaseapproximately193,000squarefeet. The remaining63,000square feethasbeensubleased a third party;
- i¿1/2WesternAssetManagementsibe/adquarteriss housedn an office building in PasadenaCalifornia in which we occupy approximately 190,000 squarefeet and for which we are seeking enantsto sublease, 300 square feet of the space and
- i¿½ourdistributionandadministrativæervicessubsidiariesscupyapproximately79,000squarefeetin anoffice building locatedin Stamford,Connecticutin which we hold underleaseapproximately137,000squarefeet. 58,000squarefeethasbeensubleasedb a third party.

SeeNote 8 of Notesto ConsolidatedFinancialStatementian Item 8 of this Reportfor a discussion of our lease obligations.

ITEM 3. LEGAL PROCEEDINGS.

Our currentand former subsidiarieshavebeenthe subjectof customercomplaints and have also beennamed as defendants various legal actions arising primarily from assetmanagements ecurities brokerage and investment banking activities, including certain class actions, which primarily allegeviolations of securities aws and seek unspecified amages, which could be substantial. In the normal course of our business our current and former subsidiaries have also received subpoenae and are currently involved in government and self-regulatory agency inquiries, investigations and, from time to time, proceedings While the ultimate resolution of any threateneous pending litigation, regulatory investigations and othermatters cannot be currently determined in the opinion of our management after consultation with legal counsel, due in part to the preliminary nature of certain of these matters, we are currently unable to estimate the amountor range of potential losses from these matters, and our financial condition, results of operations and cashflows could be materially affected during a period in which a matter is ultimately resolved See Note 9 of Notesto Consolidate Financial Statements in Item 8 of this Report.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Sharesof Legg Mason, i¿1/2 transmonstock are listed and tradedon the New York Stock Exchange(symbol: LM). As of March 31, 2020, there were approximately 1,000 holdersof record of Legg Mason commonstock. Information with respect to our dividends is as follows:

	Quarter ended						
	Mar.	31∿ئï	[231;Dec.ï		Sept.ï¿1⁄230	June�30
Fiscal Year 2020							
Cash dividend declared per share \$	6	0.40	\$	0.40	\$	0.40 \$	0.40
Fiscal Year 2019							
Cash dividend declared per share \$	6	0.34	\$	0.34	\$	0.34 \$	0.34

We expect to continue paying cash dividends. However, the declaration of dividends is subject to the terms of the Agreement and Planof Merger ("Merger Agreement") with Franklin Templeton, as further discussed below, and the discretion of our Board of Directors. Particularly in this time of heightened uncertainty due to the COVID-19 pandemic, in determining whether to declared ividends, or how much to declare in dividends, our Board will conside factors it deems elevant, which may include our results of operations and financial condition, our financial requirements general business conditions and the availability of funds from our subsidiaries including all restrictions on the ability of our subsidiaries to us.

The Merger Agreement imits our ability to pay dividends while the merger transactions pending; however, subject to the approval of our Board of Directors, we may continue to pay quarterly cash dividends not exceeding \$0.40 per share, with declaration, record and payment dates substantially consistent with those paid during fiscal 2020.

On April 28, 2020, our Board of Directors declared regular quarterly cashdividend of \$0.40 per share payable on July 13, 2020 to shareholder of record at the close of busines on June 16, 2020.

Purchasesof our Common Stock

The following table sets out information regarding our purchases of Legg Mason common stock during the quarter ended March 31, 2020

Period	(a) Total number of shares pur chased ¹⁾	(b) Average price paid per share ⁽²⁾	(c) Total number of shares purchased as part of publicly announced plans or programs	(d) Approximate dollar value that may yet be purchased under the plans or programs		
January�1, 2020 ugh January�31, 2020	42,486	\$ 35.65	ڔڹؾ	 2\$ �		
February�1, 2020 ugh February�29, 2020	328	39.00	ڔڹ	2 تزاير		
March�1, 2 0 20ough March�31, 2020	376	48.65	ڒڹڗ	′2 �		
Total	43,190	\$ 35.79	Ϊź1⁄2			

(1) Includessharesreceivedon vestingof restrictedstock units, surrendered b Legg Masonto satisfyrelated incometax withholding obligations of employees via net sharetransactions.

(2) Amountsexcludefees.

The terms of the Merger Agreement estrictour ability to purchases hares four commonstock while the merger is pending other than certain exceptions including in connection with net shares ettlements fout standing equity awards.

Total Return Performance

The graph below compares the cumulative total stockhold erreturn on Legg Mason's common stock for the last five fiscal years with the cumulative total return of the S&P 500 Stock Index and the SNL Asset Manager Index over the same period (assuming the investment \$100 in each on March 31, 2015). The SNL Asset Manager Index consists of 40 asset management firms.

	Years Ended March 31,										
Index	 2015		2016 2017		2018			2019		2020	
Legg Mason, Inc.	\$ 100.00	\$	64.08	\$	68.49	\$	79.28	\$	55.89	\$	104.00
S&P 500 Index	100.00		101.78		119.26		135.95		148.86		138.47
SNLAsset Manager Index	100.00		82.79		92.39		113.89		100.63		96.23

Prepared by S&RGlobal Market Intelligence, a division of S&Blobal Inc.

ITEM 6. SELECTED FINANCIAL DATA.

(Dollars in thousands, except per sharmounts or unless otherwise noted)

	Years ended March 31,									
		2020	_	2019	_	2018		2017		2016
OPERATING RESULTS	_									
Operating Revenues	\$2	2,922,125	\$ 2	2,903,259	\$	3,140,322	\$	2,886,902	\$ 2	2,660,844
Operating expenses, excluding impairment	2	2,416,965	:	2,434,957		2,587,321		2,429,659	:	2,239,013
Impairment of intangible assets		�		365,200		229,000		35,000		371,000
Operating Income	_	505,160		103,102		324,001	_	422,243		50,831
Non-operating expense, net		(110,888)		(74,042)		(99,942)		(64,694)		(68,806)
Non-operating income (expense) of consolidated investment vehicles, net		16,262		(565)		9,781	13,329			(7,24 3)
Income (Loss) before Incomeax Provision (Benefit)		410,534		28,495		233,840		370,878		(25,218)
Income tax provision (benefit)		106,048		20,561		(102,51 0		84,175		7,692
Net Income (Loss)	_	304,486		7,934		336,350		286,703		(32,910)
Less: Net income (loss) attributable to noncontrolling interests		53,119		36,442		51,275		59,447		(7,878)
Net Income (LossAttributable to Legg Mason,ï¿1/2Inc.	\$	251,367	\$	(28,508)	\$	285,075	\$	227,256	\$	(25,032)
PER SHARE										
Net Income (Loss) per Shatteributable to Legg Mason,ï¿1/2Inc. Shareholders:										
Basic	\$	2.80	\$	(0.38)	\$	3.03	\$	2.19	\$	(0.25)
Diluted	\$	2.79	\$	(0.38)	\$	3.01	\$	2.18	\$	(0.25)
Weighted-Average Number of Shares Outstanding:										
Basic		86,831		85,423		90,734		100,580		107,406
Diluted		87,337		85,423		91,194		100,799		107,406
Dividends declared	\$	1.60	\$	1.36	\$	1.12	\$	0.88	\$	0.80
BALANCE SHEET										
TotalAssets	\$8	3,006,120	\$	7,794,122	\$	8,152,534	\$	8,290,415	\$	7,520,446
Long-term debt, net		1,972,733	:	2,221,752		2,221,810		2,221,867		1,740,985
Total Stockholders' Equit Attributable to Legg Mason, Inc.	;	3,792,369	:	3,659,755		3,824,405		3,983,374		4,213,563
FINANCIAL RATIOS AND OTHER DATA										
Adjusted Net Income	\$	338,992	\$	288,619	\$	322,408		n/a		n/a
Adjusted Earnings per Diluted Share	\$	3.76	\$	3.26	\$	3.41		n/a		n/a
Operating Magin		17.3%		3.6%		10.3%		14.6%		1.9%
Adjusted Operating M gi n ⁽²⁾		24.8%		22.6%		23.6%		n/a		n/a
Cash provided by operating activities	\$	560,556	\$	560,866	\$	489,368	\$	534,818	\$	442,994
Adjusted EBITDA ²⁾		645,003		622,224		637,228		560,240		561,432
Total debt to total catal ⁽³⁾		34.2%		38.1%		38.4%		36.2%		29.9%
Assets under manageme(int millions)	\$	730,816	\$	757,982	\$	754,131	\$	728,406	\$	669,615
Full-time employees		3,059		3,246		3,275		3,338		3,066

(1) Basicanddiluted sharesare the same for periods with a Net Loss Attributable to Legg Mason, Inc. See Note 14 of Notesto Consolidated Financial Statements Item 8. Financial Statements and Supplementa Data.

(2) Adjusted Net Income, Adjusted Earningsper Diluted Share, and Adjusted Operating Margin are non-GAAP performancemeasures and Adjusted EBITDA is a non-GAAP liquidity measure. Therewere no comparable non-GAAP measure for Adjusted Net Income Adjusted Earningsper Diluted Shareor Adjusted Operating Margin prior to fiscal 2018. See Supplementation-GAAP Information Item; Management Biscussion and Analysis of Financial Condition and Results of Operations.

(3) Calculatedbasedbn total grossdebtasa percentage f total capital (total stockholdersequity attributableto Legg Mason, Inc. plus total grossdebt) asof March�31.

ITEM 7.��MANAGEMENT'S DISCUS**SNOD**ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

EXECUTIVE OVER VIEW

Legg Mason, Inc. is a global assetmanagementirm that primarily operates through nine independent assetmanagement subsidiaries collectively with its subsidiaries; ½Legg son; ¿We help investors globally to pursubetter financial outcomes by expanding choice across investments trategies whicles and investor access through independent assetmanagers with diverse expertise in equity, fixed income, alternative and liquidity investments Acting through our independent investment managers which we often refer to as our affiliates, we deliver our investment capabilities through varied products and vehicles and via multiple points of access including directly and through various financial intermediaries. Our investment advisory services include discretionary and non-discretionary management of separate investment accounts in numerous investments tyles for institutional and individual investors. Our investment products include proprietary mutual funds ranging from money market and other liquidity products of fixed income, equity and alternative funds managed in a wide variety of investments tyles. We also offer other domestic and offshore funds to both retail and institutional investors, privately placed real estatefunds, hedgefunds and funds-of-hedge unds. Our centralize global distribution group, Legg MasonGlobal Distribution, markets distributes and supports urinvest mentproducts Our operations are principally in the U.S. and the U.K. and we also have offices in Australia, Brazil, Canada Chile, China, Dubai, France, Germany Ireland, Italy, Japan Sing apore Spain, Switzerland and Taiwan. For further information seeltem 1. Businessinclude dherein.

All references fiscal 2020,2019 or 2018, refer to our fiscal yearended Marchi ¿1/38 that year Termssuchas "we," "us," "our," and "Company" refer to Legg Mason.

Global marketsexperiencedextremevolatility beginning in the second half of February2020 in reaction to the novel coronavirus ("COVID-19") pandemic associal containment neasured ramatically restricted usines activity despite forts by government across the globe to support and stimulate economies. As a result, significant market uncertainty exists, including recessionar fear, which may have a significant impact on our business.

Merger Agreement for Acquisition by Franklin ResourcesInc.

On February 7,2020, we entered into an Agreement and Planof Merger (the "Merger Agreement") with Franklin Resources, Inc. ("Franklin Templeton") and Alpha Sub, Inc. ("Merger Sub"), a wholly owned subsidiary of Franklin Templeton pursuant to which Legg Mason, Inc. (the "Company") will be merged into Merger Sub (the "Merger"), with the Company continuing as the surviving corporation and a wholly owned subsidiary of Franklin Templeton.

Pursuanto the Merger Agreement, each outstandings hare of common stock of the Company will be converted into the right to receive from Franklin Templetor \$50.00 in cash. The transaction is expected o close by the end of the third calendar quarter of 2020, subject to the satisfaction of customary closing conditions for both parties, including among others, the approvable the Merger Agreemenby the holders of a majority of Legg Mason's outstanding commons hare and the receipt of required regulatory approvals.

Refer to the definitive joint proxy statement of the Companyand Franklin Templeton, as filed by the Companywith the U.S. Securities and Exchange Commission April 16, 2020, for additional information on the Merger.

BusinessOverview

The financial services business in which we are engageds extremely competitive. Our competition includes numerous global, national, regional and local assetmanagement firms, commercial banks, insurance companies and other financial services companies. The industry continues o experience is ruption and challenges including a shift to lower-feep assively manage of oducts, which contributes to increasing fee pressure the increase dole of technology in assetmanagement services the introduction of new financial products and services and the consolidation of financial services firms through mergers and acquisitions such as our pending acquisition by Franklin Templeton as discussed bove. The assetmanagement industry is also subject to extensive and evolving regulation underfederal, state, and foreign laws. Like most firms, we have been and will continue to be impacted by regulatory and legislative changes Responding to the sechange and keeping abreas of regulatory developments has required and will continue to require, us to incur cost schatim pactour profitability.

Our financial position and results of operations are materially affected by the overall trends and conditions in the global financial markets, such as the extrememarket conditions experience dat the end of our fiscal year due to the COVID-19 pandemic. Results of any individual periods hould not be considered epresentative fluture results.

Our operating revenues primarily consist of investmentadvisory fees from funds and separate accounts and distribution andservicefees. Investmentadvisoryfeesaregenerallycalculated sapercentage f the assets f the investment portfolios that we manage. In addition, performance eesmay be earned undercertain investmentadvisory contracts or exceeding performancebenchmarksor hurdle rates. The largest portion of our performancefees is earnedbased on 12-month performanceperiodsthatendin differing quartersduring the year, with a portion based on quarterly performanceperiods. We also earnperformanc dees on alternative products that lock at the end of varying investment periods or in multiple-year intervals. Perthetermsof certainmore recentacquisitions performance eesearned on pre-closessets indermanagement ("AUM") of the acquired entities are fully passed hrough as compensation expense and therefore have no impact on Net Income (Loss) Attributable to Legg Mason, Inc. Distribution and service fees are received for distributing investment products and services for providing other supports ervices to investment portfolios, or for providing non-discretionary advisoryservices for assets under advisement "AUA"), and are generally calculated as a percentage of the assets in an investmenportfolio or asapercentage f new asset added o an investmen portfolio. Our revenues therefore are dependent upon the level of our AUM and AUA and the related fee rates, and thus are affected by factors such as securities market conditions our ability to attractandmaintainAUM andkey investmen personneland investmen performanceOurAUM changes from period to period primarily due to inflows and outflows of client assets and market performances well as changes for eignexchangeates. Client decisions o increaser decrease their assets inder our management and decisions by potential clients to utilize our services may be based on one or more of a number of factors. These factors include our reputation themarket place the investment performance both absolute and relative to be nch marker competitive roducts) of our product and services the feeswe charge for our investments ervices the client or potential client's situation including investmenobjectives liquidity needs investmenorizon and amount of assets nanaged our relationships with distributors and the external economic environment including market conditions, which we reextremely challenge during the last six weeksof our fiscal yeardue to the global COVID-19 pandemic.

The feesthat we chage for our investmentservices vary based upon factors such as the type of underlying investment product, the amount of AUM, the assetmanagement filiate that provides the services, and the type of services (and investment bejectives) that are provided. In general feese arned or assetmanagement ervices are highest for alternative assets followed by equity assets fixed income assets and liquidity assets Accordingly, our revenue and average perating revenue/ields will be affected by the composition of our AUM, with changes in the relative level of alternative and equity assets ypically more significantly impacting our revenue and average perating evenue/ields. Average operating revenue/ields are calculated as the ratio of total operating revenue Jessperformance s, to average AUM. In addition, in the ordinary course of our business we may reduce waive investment management besor total expenses on certain products or services for particular time periods to limit fund expenses or for other reasons and to help retain or increasemanaged assets. Our industry continues to be impacted by disruption and challenges with continued migration from higherfee to lower fee products, vehicles and share classes which continues o put pressure on the fees we chage for our products.

We haverevenuesharingarrangementin placewith certain of our assetmanagementifiliates, underwhich specified percentageof the affiliates' revenues are required to be distributed to us and the balance of the revenues retained by the affiliates to pay their operating expenses including compensation expenses but excluding certain expenses and income taxes. Under these revenues sharing rangements our assetmanagement filiates retain different percentageof revenues to cover their costs. Other affiliates operate under budget processes with varying margin targets. As such, our Net Income (Loss) Attributable to Legg Mason, ic 1/2 Imperating margin and compensations a percentageof operating revenues are impacted based on which affiliates and product sgenerate our AUM, and a changein AUM at one affiliate or with respect to one productor class of products and wea different effect on our revenues and earning shanan equal changeat another affiliate or in another productor class of products. In addition, from time to time, we may agree to changes in revenue sharing and other arrangements with our assetmanagement ersonnel which may impact our compensationexpenses and profitability.

Our mostsignificant operating expenses reemploye compensation and benefits of which a majority is variable in nature and includes incentive compensation portion of which is based upon revenue evels, non-compensation plated operating expense velsat revenues hare-base affiliates, performance espassed hrough as compensation expense and our overall profitability, and distribution and servicing expenses which consist primarily of feespaid to third-party distributors for selling our asset management products and services. Certain other operating costs, such as occupancy depreciation and amortization, and fixed contract commitments for market data, communication and technology services, are typically consisten from period to period and usually do not decline with reduced evels of busines activity or, conversely usually do not rise proportionately with increase dusines activity, in the absence of unusual events.

Becausœur revenueﷺndnetincomearederivedprimarily from AUM andfeesassociated with our investmen products, change in global financial markets the composition and level of AUM, net new busines in flows (or outflows) and changes in the mix of investment products between asset classes and geographies may materially affect our results of operations. Our profitability is sensitive to a variety of factors, including the amount and composition of our AUM, and the volatility and general evel of securities prices, interestrates, and changes in currency exchange ates, amongother things. Periods of unfavorablemarket conditions are likely to have an adversæffect on our profitability. In addition, the diversification of services, endproduct of fered, investment performance access of distribution channels reputation in the market, attraction and retaining clients. In the last few years, the industry has seenflows into products for which we do not currently garners ignificant markets hare including, in particular passive products and corresponding lows out of products in which we do have markets hare. For a further discussion of factors that may affect our results of operations results of operations results of periods in which we do have markets hare for a further discussion factors that may affect our results of operations results of products in which we do have markets hare for a further discussion factors that may affect our results of operations in the discussion in term 1A. Risk Factors included herein.

Our Strategy

Our strategy is to expandient choice through the diversification of our busines acrossinvestments trategies yehicles and access. We focus our strategic priorities on the four primary areasisted below if an agement onsiders these strategic priorities when evaluating our operating performance and financial condition. IC an sistent with this approach we have also presented the table below initiatives on which management urrently focuses in evaluating our performance and financial condition. This strategy as developed as each the assumption that we continue as an independent om pany. If the Merger is completed we will be a subsidiary of Franklin Templeton.

Strategic Priorities	Initiatives
- Products	- Create an innovative portfolio of investment products and promote revenue growth by developing new products and leveraging the capabilities of bluates
	 Identify and execute strategic acquisitions to strengthen bluates and increase product oferings
- Performance	 Identify and implementopportunities to improve growth through collaboration with and acrossaffiliates, and work with affiliates to improve efficiency acrossLegg Mason by combiningefforts, outsourcingor working differently
- Distribution	 Continue to maintain and enhance our top tier distribution function with the capability to offer solutions to relevant investment challenges and grow market share worldwide Developalternative and innovative distribution approache for expanded lient access
- Productivity	 Implementour strategiorestructuringplan Continueto developandexecuteponour diversityandinclusionstrategy developbusiness unit strategies support the future state of work; drive digital transformation and continue to develop the enterprised at a management program

When evaluatingour progresson these strategic priorities, and considering initiatives to support them, we prioritize four key drivers of value creation:

ï¿1/2leveraging our centralized retail distribution to drive growth;

ï¿1/2 capitalizing on our investments to provide investors with greater choice;

ï¿1/2more efectively controlling our costs to improve profitability; and

ï¿1/2thoughtfully managing our balance sheet and capital allocation.

The strategic priorities and key drivers discussed bove are designed o increases hareholder aluethrough improvements in our netflows, earnings cashflows, AUM and other key metrics, including operating margin, which are discussed our annual results discussion below. The pending Merger with Franklin Templeton reflects our overall priority of increasing shareholder alue.

StrategicRestructuring

During the fourth quarterof fiscal 2019, we initiated a strategiore structuring or educe costs, which includes corporate and distribution functions, as well as efficiency initiatives at certains maller affiliates that operate outside of revenue-sharing arrangements. We expect to incurage gregate trategiore structuring costs in the range of \$100 million to \$105 million, which will be incurred through March 2021. We expect the strategiore structuring will result in future annual costs aving sof \$100 million or more, achieved on an annual run rate basis by the end of fiscal 2021. During the years ended March 31, 2020 and 2019, we incurred \$71.0 million, or \$0.57 per diluted share, and \$9.4 million or \$0.08 per diluted share, respectively of costs related to the strategic restructuring. See Note 18 of Notes to Consolidated Financial Statements for additional information. We achieved \$68 million of savings from the strategic restructuring during the year ended March 31, 2020, for cumulative achieved saving sof \$72 million since January 1, 2019. We do not expect the Mergerto have an impact on the costs or saving sassociated with our strategic restructuring.

In addition, during the yearended March 31, 2020, we incurred \$19.5 million, or \$0.16 per diluted share of restructuring costs for other corporatematters including costs associated with the pending merger with Franklin Templeton and during the yearended March 31, 2019, we incurred \$14.3 million, or \$0.12 per diluted share of costs associated with our previous corporate restructuring plans. We do not attribute or include these other corporate restructuring costs in our strategic restructuring.

The following discussion and analysis provides additional information regardingour financial condition and results of operations.

BUSINESS ENVIRONMENT

The fiscal year endedMarch 31, 2020 was extremely volatile for U.S. equity markets. Strong returns in the first three quarters of fiscal 2020 were more than offset by an extremed own turn in the fourth fiscal quarter due to the rapid spread GOVID-19 (which was deemed global pandemic) wides pread conomic declines and continued global uncertainty U.S. equity markets uffered significant losses despite unprecedent to secure and stimulate the economy

After strongreturns in the first threequarters of fiscal 2020, both developed and emeging international equity markets declined significantly in the fourth fiscal quarter in response the COVID-19 pandemic. Strong demand or U.S. treasuries and cashnegatively impacted emeging equity markets. In Europeand the U.K., government initiated historic stimulus spending in an effort to instill consumer confidence and combat the negative economic effects of travel and business restrictions. All sectors in the Emerging Markets Index suffered losses with the energy sectors eeing the largest drop at 40% amidplunging oil prices.

Global bond marketsalso saw steepdeclines in the fourth quarterof fiscal 2020, with the exception of U.S. treasuries. Demand or long-term U.S. treasuries increased midtheglobal pandemicas investors ought traditionally saferasets and as a result the 10-year U.S. treasury yield fell to record lows. Investment-gradendhigh yield corporate bonds, as well as municipal bonds, also suffered losses due to the risk-adverse nvironment.

 $The Federa {\it Reserv} {\it Board decrease} {\it the target federal funds rate five times during the year ended March 31, 2020, from 2.50\% to 0.25\%, with the most significant reductions made in March 2020 in an effort to increase in ancial market liquidity.$

The following tablesummarizes the returns for various major market indices:

�	% Change for the year ended March 31:		
Indices ⁽¹⁾	2020	2019	2018
Dow Jones Industria verage	(15.5)%	7.6 %	16.7%
S&P 500 ²⁾	(8.8)%	7.3%	11.8%
NASDAQ Composite Index	(0.4)%	9.4 %	19.5%
Barclays Capital U.SAggregate Bond Index	8.9 %	4.5 %	1.2%
Barclays Capital Globalggregate Bond Index	4.2 %	(0.4)%	7.0%

(1) Indices are trademarks of Dow Jones & Companing Graw-Hill Companies, Inc., Nasdaq Stock Market, Inc., and Barclays Capital, respeatively are not affliated with Legg Mason.

(2) Excludes the impact of the reinvestment of dividends and stock splits.

Theimpactof the COVID-19 pandemic nU.S. and international financial markets may have a significantly negative impact on our AUM and results of operations in fiscal 2021, particularly in the near term. Given continued uncertainty and volatility, we cannot reasonably estimate the impact market conditions will have on our future results of operations cashflows, or financial condition.

In addition, our industry continues to be impacted by migration from active to passive strategies Togetherwith continuing regulatory changes these factors put pressure fees, contributing to the consolidation of products and managers on distribution platforms. These factors also continue to create significant flow challenges or active managers is every significant flow challenges or active managers.

ASSETS UNDER MANAGEMENT

OurAUM is primarily managed crost he following asset lasses and strategies:

Equity	Fixed Income	Alternative	Liquidity
 Large Cap Growth Equity Income All Cap Growth Large CapValue International Equity 	 U.S. CreditAggregate Global Opportunistic 	 Real Estate Hedge Funds 	- U.S. Managed Cash - U.S. Municipal Cash
 International Equity Large Cap Core Small Cap Core 	 Global Fixed Income U.S. Municipal Global Sovereign 		
 All Cap Value Small Cap Growth 	 Non-Traditional Bond Global Government 		
 Emerging Markets Equity Small CapValue Mid Cap Core 	 Intermediate Short Duration High Yield 		
 Small/Mid Cap Small Cap International Mid Cap Growth 	- Liability Driven		

- Global Equity

The components of the changes in our AUM (in billions) for the years ended March 31, we reas follows:

�	2020	2	2019		2018
Beginning of period	\$ 758.0	\$	754.1	\$	728.4
Net client cash flows:					
Investment funds, excluding liquidity products:					�
Subscriptions	72.4		56.2		65.2
Redemptions	(64.9)		(64.8)		(56.5)
Long-term separate account flows, net	(20.4)		(1.7)		(7.0)
Total long-term flows, net	 (12.9)		(10.3)		1.7
Total liquidity flows, net	6.5		2.3		(24.3)
Total net client cash flows	 (6.4)		(8.0)		(22.6)
Realization ⁽²⁾	(1.4)		(1.0)		(2.6)
Market performance and other	(12.8)		21.3		45.7
Impact of foreign exchange	(7.4)		(8.4)		5.4
Acquisitions (dispositions), net	0.8		′∕_ئï	2	(0.2)
End of period	\$ 730.8	\$	758.0	\$	754.1

(1) Subscriptionsandredemptionseflect the grossactivity in the funds and include assets ransferre detweer funds and betweers hareclasses.

(2) Realization sepresentry estmentmanager driven distributions primarily related to the sale of assets. Realization sepresentry estimation of a set in the sale of assets and do not include client-driven distributions (e.g. client requested edemptions) iguidations or asset ransfers).

(3) For the yearsendedMarch 31, 2020and 2019, other primarily includes the reinvestment of dividends. For the yearendedMarch 31, 2018, other includes the reclassification effective April 1, 2017, of \$16.0 billion of certain assets which were previously included in AUA to AUM. For the yearendedMarch 31, 2018, other also includes the reinvestment of dividends and a \$(3.7) billion reconciliation to previously reported amounts.

AUM at March�2020was\$730.8�billiærdecreas@f \$27.2�billion4%, comparedo March�2019.ïŢótal net client outflowsfor the yearendedMarch31,2020were\$6.4billion, comprisedof \$12.9billion of netclient outflowsfrom long-termassetclassesoffsetin partby \$6.5billion of netclient inflows into the liquidity assetclass. Long-termassentet outflowswerecomprisedof equitynetoutflowsof \$16.5billion andfixed incomenetoutflowsof \$3.4billion, offsetin part by alternativenet inflows of \$7.0 billion. Equity net outflows were primarily from productsmanagedby ClearBridge Investments("ClearBridge"), BrandywineGlobal InvestmentManagemen("Brandywine"), Royce InvestmentPartners ("Royce"), andQSInvestorsFixedIncomenetoutflowswereprimarily from productsmanagedby Clarion Partners, EnTrust Global and RARE Infrastructure.We generallyearnhigherfeesandprofits on alternativeand equityAUM, and outflows in the fixed incomeor liquidity assetclasses. The negativeimpactof marketperformanc@andother was\$12.8billion, reflectingglobalmarketdeclinesættheendof fiscal 2020dueto the COVID-19 pandemic. The negative impactof foreign currencyexchang@atefluctuationswas\$7.4billion.

AUM at March�2019 was\$758.0�billian increaseof \$3.9�billion,1%, comparedo March�2018.ïŢðtal net client outflows were\$8.0billion, comprisedof \$10.3billion of net client outflows from long-termassetclassesoffset in partby \$2.3billion of net client inflows into the liquidity assetclass.Long-termassenteoutflows werecomprised of equity net outflows of \$7.5billion and fixed incomenet outflows of \$4.3billion, offset in part by alternativenet inflows of \$1.5 billion. Equity net outflows wereprimarily from productsmanagedby Royce,ClearBridgeBrandywine,QSInvestors and Martin Currie. Fixed Incomenet outflows wereprimarily from productsmanagedby WesternAsset,offset in part by net inflows into productsmanagedby BrandywineAlternativenet inflows wereprimarily into productsmanagedby Clarion Partners,offset in part by net outflows from productsmanagedby EnTrust Global and RARE Infrastructure. Market performanceand other was \$21.3billion. The negative impact of foreign currency exchange ate fluctuations was \$8.4 billion.

Our investmentadvisoryandadministrativecontracts are generally terminable at will or upon relatively short notice, and investors in the mutual funds and other vehicles that we managemay redeem their investments in the funds or vehicles at any time without prior notice. If the funds on the individual clients can terminate their relationships with us, reduce the aggregate mount of assets undermanagements shift their funds to other types of accounts with different rates tructures for any number of reasons including investments reformance changes in prevailing interestrates, changes in our reputation in the market place changes managements financial market performance.

AUM by AssetClass AUM by assetclass(in billions) wasasfollows:

							% Change			
As of March 31,	2020	% of Total	2019	% of Total	2018	% of Total	2020 Compared to 2019	2019 Compared to 2018		
Equity	\$ 161.2	22%	\$ 202.0	27%	\$ 203.0	27%	(20)%	% ¹ ;5%		
Fixed Income	420.2	58	419.6	55	422.3	56	2∕′;	(1)		
Alternative	74.3	10	68.6	9	66.1	9	8	4		
Total long-term assets	655.7	90	690.2	91	691.4	92	(5)	¹ /2		
Liquidity	75.1	10	67.8	9	62.7	8	11	8		
Total	\$ 730.8	100%	\$ 758.0	100%	\$ 754.1	100%	(4)	1		

AverageAUM by assetclass(in billions) wasasfollows:

							% Change			
Years Ended March 31,	2020	% of Total	2019	% of Total	2018	% of Total	2020 Compared to 2019	2019 Compared to 2018		
Equity	\$ 201.3	26%	\$ 203.1	27%	\$ 200.5	26%	(1)%	1%		
Fixed Income	439.8	57	412.9	55	412.0	55	7	2∕′;		
Alternative	72.3	9	66.5	9	66.3	9	9	′ <i>1</i> ′₂		
Total long-term assets	5 713.4	92	682.5	91	678.8	90	5	1		
Liquidity	64.6	8	65.5	9	75.6	10	(1)	(13)		
Total	\$ 778.0	100%	\$ 748.0	100%	\$ 754.4	100%	4	(1)		

The component hanges in our AUM by asset lass (in billions) were as follows:

ï <i>¿1</i> ⁄2	Equity	Fixed Income	Alternative	Total Long- Term	Liquidity	Total
March 31, 2017	\$ 179.8	\$ 394.3	\$ 67.9	\$ 642.0	\$ 86.4 \$	728.4
Investment funds, excluding liquidity funds. ⁽¹⁾		ï	;½ ï¿	,1/2	"ز ⁄2ن	¹ /2
Subscriptions	22.6	36.3	6.3	65.2	<u>′/</u> 2	65.2
Redemptions	(27.2)	(23.5)	(5.8)	(56.5)	<u>ئ</u> ;1⁄2	(56.5)
Long-term separate account flows, net	(2.1)	(3.4)	(1.5)	(7.0)	1⁄2 ن	(7.0)
Liquidity flows, net	بركاني		ź iź	ر 1⁄2ن	-	(24.3)
Net client cash flows	(6.7)	9.4	(1.0)	1.7	(24.3)	(22.6)
Realizations ²⁾	∕ن;	½'ة ₂	2.6)	(2.6)	<u>ئ</u> ;1⁄2	(2.6)
Market performance and other	28.9	14.5	1.5	44.9	0.8	45.7
Impact of foreign exchange	1.3	4.1	0.2	5.6	(0.2)	5.4
Acquisitions (dispositions), net	(0.3)	½;۲	0.1	(0.2)	1⁄2 ن	(0.2)
March 31, 2018	203.0	422.3	66.1	691.4	62.7	754.1
Investment funds, excluding liquidity funds. ⁽¹⁾						
Subscriptions	21.1	29.5	5.6	56.2	2∕′;3	56.2
Redemptions	(26.1)	(33.9)	(4.8)	(64.8)	¹ /2	(64.8)
Long-term separate account flows, net	(2.5)	0.1	0.7	(1.7)	¹ /2	(1.7)
Liquidity flows, net	¹ ';۲	½ "¿	⊻';ĭ ٍ	¹ /2	2.3	2.3
Net client cash flows	(7.5)	(4.3)	1.5	(10.3)	2.3	(8.0)
Realizations ⁽²⁾	�	½ ت <u>ئ</u>	<u>k</u> (1.0)	(1.0)	<u>⁄</u> /ئ	(1.0)
Market performance and other	7.9	7.7	2.4	18.0	3.3	21.3
Impact of foreign exchange	(1.4)	(6.1)	(0.4)	(7.9)	(0.5)	(8.4)
March 31, 2019	202.0	419.6	68.6	690.2	67.8	758.0
Investment funds, excluding liquidity funds. ⁽¹⁾						
Subscriptions	23.9	39.6	8.9	72.4	¹ /2	72.4
Redemptions	(29.3)	(32.2)	(3.4)	(64.9)	2∕′;۲	(64.9)
Long-term separate account flows, net	(11.1)	(10.8)	1.5	(20.4)	¹ /2	(20.4)
Liquidity flows, net	¹ ';5					6.5
Net client cash flows	(16.5)	· · ·	7.0	(12.9)	6.5	(6.4)
Realizations ⁽²⁾	�			(1.4)	2∕′;3	(1.4)
Market performance and other	(23.7)		(0.1)	(14.0)	1.2	(12.8)
Impact of foreign exchange	(0.8)	. ,	(0.4)	(7.0)	(0.4)	(7.4)
Acquisition	0.2	<u>//</u> ;3		0.8	<u>";1⁄2</u>	0.8
Mar ch 31, 2020	\$ 161.2	\$ 420.2	\$ 74.3	\$ 655.7	\$ 75.1 \$	730.8

(1) Subscription and redemption seflect the gross activity in the funds and include assets ransferre detweer funds and betweers hare classes.

(2) Realizations epresentinvestmentmanaged riven distributions primarily related to the sale of assets. Realizations are specific to our alternative managers and do not include client-driven distributions (e.g. client requested edemptions liquidations or asset ransfers).

(3) For the yearsendedMarch 31, 2020 and 2019, other primarily includes the reinvestment of dividends. For the yearendedMarch 31, 2018, other includes the reclassification effective April 1, 2017, of \$12.1 billion and \$3.9 billion of certain equity and fixed income assets respectively which were previously included in AUA to AUM. For the year endedMarch 31, 2018, other also includes the reinvestment of dividends and a \$(3.7) billion reconciliation to previously reported amounts.

AUM by Distribution Channel

We have two principal distribution channels, Global Distribution and Affiliate/Other, through which we sell a variety of investment products and services. Global Distribution, which consists of our centralized global distribution operations, principally sells U.S. and international mutual funds and other commingled vehicles, retail separately managed account programs and sub-advisory accounts for insurance companies and similar clients. Affiliate/Other consists of the distribution operations within our asset managers, which principally sell institutional separate account management (money market) funds, real estate and other privately placed investment funds, and funds-of-hedge unds.

The component hanges in our AUM by distribution channel (in billions):

	Global Distribution Affiliate/Oth		Total		
March 31, 2017	<u>\$ 285.6</u>	\$ 442.8	\$ 728.4		
Net client cash flows:	+	÷	••.		
Long-term flows, net	15.8	(14.1)	1.7		
Liquidity flows, net	<u>ئ</u> اخا	()	(24.3)		
Total net client cash flows	15.8	(38.4)	(22.6)		
Realizations ¹⁾	<u>∕</u> ′ځï	(2.6)	(2.6)		
Market performance and other	29.4	16.3	45.7		
Impact of foreign exchange	2.7	2.7	5.4		
Acquisitions (dispositions), net	¹ /2	(0.2)	(0.2)		
March 31, 2018	333.5	420.6	754.1		
Net client cash flows:					
Long-term flows, net	(5.2)	(5.1)	(10.3)		
Liquidity flows, net	¹ /2	2.3	2.3		
Total net client cash flows	(5.2)	(2.8)	(8.0)		
Realizations ¹⁾	¹ /2	(1.0)	(1.0)		
Market performance and other	14.3	7.0	21.3		
Impact of foreign exchange	(3.3)	(5.1)	(8.4)		
March 31, 2019	339.3	418.7	758.0		
Net client cash flows:					
Long-term flows, net	2.4	(15.3)	(12.9)		
Liquidity flows, net	½';ĭ	6.5	6.5		
Total net client cash flows	2.4	(8.8)	(6.4)		
Realizations ¹⁾	½';ĭ	(1.4)	(1.4)		
Market performance and other	(21.3)	8.5	(12.8)		
Impact of foreign exchange	(2.5)	(4.9)	(7.4)		
Acquisition	<u>''</u> ;1⁄2	0.8	0.8		
Mar ch 31, 2020	\$ 317.9	\$ 412.9	\$ 730.8		

(1) Realizations representinvestmentmanaged riven distributions primarily related to the sale of assets. Realizations are specific to our alternative managers and do not include client-driven distributions (e.g. client requested edemptions) iguidations or asset ransfers).

(2) For the yearsendedMarch 31, 2020 and 2019, other primarily includes the reinvestment of dividends. For the yearendedMarch 31, 2018, other includes the reclassification effective April 1, 2017, of \$16.0 billion of certain assets which we repreviously included in AUA to AUM due to a change in our policy on classification of AUA and AUM. For the yearendedMarch 31, 2018, other also includes there investment of dividends and a \$(3.7) billion reconciliation to previously reported amounts.

Operating Revenue/ield

We calculateoperating evenue/ields as the ratio of total operating evenues less performance ees, to average AUM. Our overall operating evenue/ield, less performance es, acrossall assectasses and distribution channels was 36 basis points ("bps"), 38 bps and 39 bps for the years ended March 31, 2020, 2019 and 2018, respectively Our operating evenue/ields by assectass and distribution channels was follows:

	Years Ended March 31,								
-	2020	2019	2018						
Asset Class:									
Equity	57 bps	59 bps	63 bps						
Fixed Income	26 bps	27 bps	27 bps						
Alternative	59 bps	61 bps	65 bps						
Liquidity	14 bps	13 bps	13 bps						
Total	36 bps	38 bps	39 bps						
Distribution Channel:									
Global Distribution	41 bps	42 bps	45 bps						
Affiliate/Other	33 bps	34 bps	34 bps						

Our total operating revenue yield decrease diver the last two fiscal years primarily due to assemix, the shift to lower fee vehicles and share lasses and specific feered uctions. The operating evenue yield for managing quity assets leclined over the last seveny ears and for managing alternative assets leclined over the last five years primarily due to a shift in the mix of assets from higher fee to lower fee vehicles and share classes and from higher fee to lower fee earning affiliates.

Equity asset a reprimarily manage by Clear Bridge Royce, Brandywine, QSInvestors, and Martin Currie; alternative assets are manage by Clarion Partners En Trust Global, and RARE Infrastructure fixed income assets are primarily manage by Western Asset and Brandywine, and liquidity assets are manage by Western Asset. Assets distributed through Legg Mason Global Distribution are predominately retail in nature.

InvestmentPerformance

For a discussion of market conditions during the yearended March 31, 2020, see "Business Environment".

The following table presents a summary of the percentages our AUM by strategy¹⁾ that outpaced their respective benchmarks or the trailing 1-year 3-year 5-year and 10-year periods:

	A	As of Marc	h 31, 2020	C	As of March 31, 2019 As of Mar				As of Marc	h 31, 2018		
	1-year	3-year	5-year	10-year	1-year	3-year	5-year	10-year	1-year	3-year	5-year	10-year
Total (includes liquidity)	33%	34%	71%	88%	57%	82%	79%	86%	77%	78%	80%	87%
Equity:												
Large cap	21%	21%	56%	48%	57%	44%	38%	49%	22%	33%	43%	77%
Smallcap	77%	64%	69%	45%	56%	47%	38%	20%	67%	69%	29%	36%
Total equity (includes other equity)	68%	58%	65%	64%	47%	45%	45%	35%	29%	43%	44%	73%
Fixed income:												
U.S. taxable	6%	9%	90%	99%	63%	100%	95%	99%	98%	92%	92%	92%
U.S. tax-exempt	0%	0%	0%	100%	0%	100%	100%	100%	100%	100%	100%	100%
Global taxable	30%	33%	35%	98%	19%	92%	85%	98%	95%	89%	93%	99%
Total fixed income	13%	15%	69%	99%	47%	97%	92%	99%	97%	91%	93%	94%
Alternative	93%	93%	90%	99%	98%	83%	97%	100%	68%	65%	92%	61%

The following table presents summary of the percentages four U.S. mutual fund assets⁽²⁾ that outpaced their Lipper category averages for the trailing 1-year 3-year and 10-year periods:

	A	As of Marc	h 31, 202	0	As of March 31, 2019 As of March 31, 20				h 31, 201	1, 2018		
	1-year	3-year	5-year	10-year	1-year	3-year	5-year	10-year	1-year	3-year	5-year	10-year
Total (excludes liquidity)	60%	61%	73%	71%	48%	63%	72%	61%	57%	64%	63%	57%
Equity:												
Large cap	40%	41%	75%	70%	68%	51%	65%	33%	19%	48%	44%	35%
Smallcap	70%	65%	71%	50%	65%	80%	57%	49%	67%	79%	50%	43%
Total equity (includes other equity)	47%	47%	72%	64%	67%	54%	63%	36%	32%	56%	48%	38%
Fixed income:												
U.S. taxable	86%	88%	92%	91%	34%	93%	91%	92%	97%	90%	89%	86%
U.S. tax-exempt	10%	6%	5%	4%	8%	25%	64%	55%	38%	19%	37%	59%
Global taxable	45%	42%	38%	80%	29%	34%	56%	86%	72%	67%	81%	79%
Total fixed income	70%	71%	73%	76%	29%	73%	81%	84%	82%	72%	77%	78%
Alternative (includes only three funds)	58%	100%	n/a	n/a	32%	0%	0%	n/a	10%	0%	93%	n/a

n/a-not applicable

(1) For purposes f investment performance comparisons strategies are an aggregation of portfolios (separate counts investment funds, and other products) into a single group that represent a particular investment bijective. In the case of separate counts the investment performance of the account is based upon the performance of the strategy to which the account has been assigned. Each of our assetmanagers has its own specific guidelines for including portfolios in their strategies. For those managers which manage to the separate counts and investment funds in the same strategy the performance of the assets based upon the performance of the same strategy the performance of the separate count.

As of March 31, 2020, 2019 and 2018, 88%, 88% and 87%, respectively of total AUM is included in strategy AUM, althoughnot all strategies have3, 5, and 10-yearhistories. Total strategy AUM includes iquidity assets Certainasset are not included in reported performance omparisons. These include accounts that are not managed n accordance with the guideline soutlined above; accounts in strategies ot marketed to potential clients; accounts that have not yet been assigned o a strategy and certains maller products at some of our affiliates.

Pastperformances not indicative of future results. For AUM included in institutional and retail separateccounts and investmenfunds included in the samestrategy asseparateccounts performance comparisons rebased on gross-of-feeperformance For investmentfunds which are not managed as a separateccount format, performance comparisons rebased on net-of-feeperformance Funds-of-hedge undsgenerally do not have specified benchmarks For purposes of this comparison performance of those products net of fees, and is compared on the relevant HFRX Index. These performance comparisons do not reflect the actual performance of any specific separateccount or investmentfund; individual separate account and investmentfund performance may differ.

Effective July 1, 2019, comparative benchmarks or certain strategies were added to measure elative performance where a stated benchmark was not previously provided. 『Fair comparative purposes prior periods have been updated to reflect the relative returns using these comparative benchmarks, where applicable.

(2) Source:Lipper�limcludesopen-endclosed-endandvariableannuityfunds. EffectiveApril 1, 2018,Lipper InvestmentManagement("LIM") is beingusedfor comparativeperformanceeporting,replacingLipperAnalytical NewApplications("LANA") which was discontinue by Lipper Inc, which resulted in changes to the composition of the comparative ategories For comparisor purposes prior periods reflect the categories reported in LIM. The U.S. long-termmutual fund assets presented in the data accounted or 18% of our total AUM as of eachMarch 31, 2020, 2019 and 2018. The performance of our U.S. long-termmutual fund assets included in the strategies.

RESULTS OF OPERATIONS

In accordance with financial accounting standards n consolidation we consolidate and separately dentify amounts relating to certain sponsored nvestment products. The consolidation of these investment products has no impact on Net Income (Loss) Attributable to Legg Mason, i 2¹/₂ and does not have a material impact on our consolidated perating results. To the extent we have an investment in a consolidated nvestment product, the related gains and losses will impact Net Income (Loss) Attributable to Legg Mason, Inc. See Notes il 2⁴/₂ and 20 of Notes to Consolidated Financial Statements or additional information regarding the consolidation of investment products.

Operating Revenues

The components f Total Operating Revenue \$\\$in millions), and the dollar and percentage hanges between periods were as follows:

	Years Ended March 31,						mpa e d to)19	2019 Compared to 2018			
		2020	2019	2018	2018 \$ Change % Change		% Change	\$ Chang		% Change	
Investment advisory fees:											
Separate accounts	\$	1,052.0	\$ 1,029.3	\$ 1,020.8	\$	22.7	2%	\$	8.5	1%	
Funds		1,495.0	1,480.0	1,564.8		15.0	1	\$	(84.8)	(5)	
Performance fees		99.0	84.9	227.8		14.1	17	\$	(142.9)	(63)	
Distribution and service fees	i	270.4	303.0	321.9		(32.6)	(11)	\$	(18.9)	(6)	
Other		5.7	6.1	5.0		(0.4)	(7)	\$	1.1	22	
Total Operating Revenues	\$	2,922.1	\$ 2,903.3	\$ 3,140.3	\$	18.8	1	\$	(237.0)	(8)	

Total OperatingRevenues for the yearendedMarch 31, 2020, increased % to \$2.92 billion, ascomparedo \$2.90 billion for the yearendedMarch 31, 2019, primarily due to an increase in investmentadvisory fees from separate accounts and funds, reflecting higher average AUM, and an increase of \$21.2 million in performance ees that we renot passed hrough ascompensation expense. These increases were offset in part by a \$32.6 million decrease in distribution and servicing fees, reflecting a shift to lower fee earning mutual funds hare classes and lower average fund AUM earning distribution fees, and a \$7.1 million decrease in performance ees that we repassed hrough ascompensation expense.

Total OperatingRevenues for the yearendedMarch 31, 2019, were \$2.90 billion, a decreas of 8% from \$3.14 billion for the yearendedMarch 31, 2018. The decreas was primarily due to a \$142.9 million decreas in performance eses, \$83.2 million of which was in performance eses that are not passed hrough as compensation expenses as further discussed below. A decreas in our operating evenue yield to 38 basis points for the yearended March 31, 2019, from 39 basis points for the yearended March 31, 2018, also contributed to the decrease.

InvestmentAdvisoryFeesfrom SeparateAccounts

For the year endedMarch 31, 2020, Investmentadvisoryfeesfrom separatæccountsincreased2% to \$1.05 billion, as compared o \$1.03 billion for the year endedMarch 31, 2019. Feesearnedon fixed incomeand equity assets increased \$20.4 million and \$5.8 million, respectively reflecting an increase in average incomeand equity AUM, offset in part by a reduction in the average erates earnedon fixed incomeassets. These increases were offset in part by a \$4.3 million decrease in feesearnedon alternative assets driven by lower average erates earnedon alternative assets offset in part by an increase in average and average and an increase in a verage and an increase in average and an increase in average and an increase in a verage and an increase in average and an increase in a verage and an increase in average and an increase in a verage and an increase and an increase in a verage and an increase in a verage and an increase and an in

For the year ended March 31, 2019, Investmentad visory fees from separat account sincrease \$8.5 million, to \$1.03 billion, as compared o \$1.02 billion for the year ended March 31, 2018, as an increase of \$19.9 million, primarily due to higher average quity assetsmanaged at Clear Bridge, was substantially offset by a decrease of \$12.8 million, primarily due to a reduction in the average fee rate earned on fixed income assetsmanaged at Brandywine, and a decrease of \$7.1 million, primarily due to lower average alternative assetsmanaged at EnTrust Global and RARE Infrastructure.

InvestmentAdvisoryFeesfrom Funds

For the yearendedMarch 31, 2020, Investmentadvisoryfeesfrom funds increase \$15.0 million, or 1%, to \$1.50 billion, ascompared \$1.48 billion for the yearendedMarch 31, 2019. Feese arned natternative assets increase \$25.3 million, driven by higher average lternative AUM, offset in part by lower average rates earned on alternative assets and fees earned on fixed income assets increase \$19.0 million due to higher average ixed income AUM, offset in part by lower average rates earned on fixed income assets increase \$19.0 million due to higher average ixed income AUM, offset in part by lower average rates earned on fixed income assets. These increases were offset in part by a \$28.5 million decrease in fees earned on equity assets driven by lower average quity AUM and lower average earned on equity assets.

For the yearended March 31, 2019, Investmentadvisoryfees from funds decrease \$84.8 million, or 5%, to \$1.48 billion, ascompared o \$1.56 billion for the yearended March 31, 2018. Of this decrease \$56.7 million was primarily due to lower average equity assetsmanaged at Martin Currie, Royce, and Clearbridge \$39.3 million was primarily due to lower average alternative assetsmanaged tEn Trust Global, and \$16.7 million was due to lower average equity assetsmanaged ternative assetsmanaged to part by an increase f \$26.4 million primarily due to higher average alternative assetsmanaged by Clarion Partners.

InvestmentAdvisoryPerformanceFees

As of March 31, 2020, 2019, and 2018, approximately 11%, 12%, and 11%, respectively of our long-termAUM was in accounts hat we reeligible to earn performanc dees at some point during the respective discalyear. Performanc dees earned by Clarion Partners on assets invested with themprior to the acquisition closing in April 2016 are fully passed hrough to the Clarion Partners nanagemente am, pertheterms of the acquisition agreement and recorded as compensationexpense, and therefore have no impact on Net Income (Loss) Attributable to Legg Mason, Inc. We expect the pass through of performance dees at Clarion Partners to be largely phased by fiscal 2022. Excluding AUM eligible to earn pass through performance dees at some point during the years ended March 31, 2020, 2019, and 2018, respectively

For the yearendedMarch 31, 2020, Investmentadvisoryperformancefeeswere \$99.0 million, with \$42.0 million earned by Clarion Partners and passed hrough as compensation expense and \$35.1 million, \$16.3 million and \$5.6 million earned on alternative, fixed income and equity assets respectively. For the year endedMarch 31, 2019, Investmentadvisory performancefees were \$84.9 million, with \$49.0 million earned by Clarion Partners and passed hrough as compensation expense and \$20.5 million, \$9.6 million, and \$5.8 million earned by Clarion Partners and passed hrough as compensation expense and \$20.5 million, \$9.6 million, and \$5.8 million earned by fixed income alternative and equity assets respectively; and, for the year ended March 31, 2018, Investmentadvisory performancefees were \$227.8 million, with \$108.8 million earned by Clarion Partners and passed hrough as compensation expense and \$59.6 million, \$32.5 million, and \$26.9 million earned by fixed income, equity, and alternative assets respectively.

The increase in performance ees that we renot passed hrough as compensation expense for the year ended March 31, 2020, was primarily due to an aggregat \$21.2 million increase in performance eese arned primarily on assets nanage by EnTrust Global, Clarion Partners, Western Asset and RARE Infrastructure offset in part by a decrease in performance eese arned on assets nanage by Brandywine. The decrease in performance ees that we renot passed hrough as compensation expense for the year ended March 31, 2019, was primarily due to an aggregat \$83.2 million decrease in performance eese arned on assets manage by Martin Currie, Western Asset, EnTrust Global and Brandywine.

Distribution and ServiceFees

For the year endedMarch 31, 2020, Distribution and service fees decrease \$32.6 million, or 11%, to \$270.4 million, as compared o \$303.0 million for the year ended March 31, 2019, reflecting a reduction in average mutual fund AUM subject to distribution and service fees and a shift in average AUM subject to distribution and service fees to lower fees hare classes, as previously discussed.

For the year endedMarch 31, 2019, Distribution and servicefees decrease \$18.9 million, or 6%, to \$303.0 million, as compared o \$321.9 million for the year ended March 31, 2018, primarily due to a reduction in average mutual fund AUM subject to distribution and service fees.

Operating Expenses

The components f Total Operating Expense \$ in millions), and the dollar and percentage hanges between periods were as follows:

	Years Ended March 31,			2020 Con 201		2019 Cor 201	
	2020	2019	2018	\$ Change	% Change	\$ Change	% Change
Compensation and benefits	\$ 1,436.9	\$ 1,399.0	\$ 1,508.8	\$ 37.9	3%	\$ (109.8)	(7)%
Distribution and servicing	413.2	439.3	489.3	(26.1)	(6)	(50.0)	(10)
Communications and technology	225.4	228.1	212.8	(2.7)	(1)	15.3	7
Occupancy	110.4	105.3	100.8	5.1	5	4.5	4
Amortization of intangible assets	22.5	24.4	24.6	(1.9)	(8)	(0.2)	(1)
Impairment of intangible assets	ï¿1⁄2	365.2	229.0	(365.2)	n/m	136.2	59
Contingent consideration fair value adjustments	e (0.9)	0.6	(31.3)	(1.5)	n/m	31.9	n/m
Other	209.5	238.3	282.3	(28.8)	(12)	(44.0)	(16)
Total Operating Expenses	\$ 2,417.0	\$ 2,800.2	\$ 2,816.3	\$ (383.2)	(14)	\$ (16.1)	(1)
n/m - not meaningful					•		•

TotalOperatingExpenses for the yearendedMarch31,2020, decrease \$383.2 million, or 14%, to \$2.42 billion, ascompared to \$2.80 billion for the yearendedMarch31,2019; and, for the yearendedMarch31,2019, decrease \$16.1 million, or 1%, to \$2.80 billion, as compared o \$2.82 billion for the yearendedMarch31,2018. As further discussed below, Total OperatingExpenses for the years endedMarch31,2019, and 2018, included \$365.2 million and \$229.0 million, respectively of charges for impairments of intangible assets. The yearended March31,2018, also included \$67.0 million charge for the regulatory matter discussed in Note 9 of Notesto Consolidated Financial Statements.

Operatingexpensesincurred at the investment management filiate level comprised approximately 70%, 70%, and 65% for the years and ed March 31, 2020, 2019, and 2018, respectively of total operating expenses excluding impairment charges, if any. The remaining operating expenses are corporate costs, including costs of our global distribution operations.

Compensationand Benefits

The components f Total Compensation and Benefits (in millions), and the dollar and percentage hanges between periods were as follows:

	Years	Ended Ma	arch 31,	2020 Con 207		2019 Compare to 2018		
	2020	2019	2018	\$ Change	% Change	\$ Change	% Change	
Salaries, incentives and benefits	\$1,345.9	\$1,329.4	\$1,381.9	\$ 16.5	1%	\$ (52.5)	(4)%	
Strategic restructuring	57.2	⁄1;ئï	½' ï	57.2	n/m	∕′;ئ	n/m	
Affiliate chages	2.4	9.3	½′;3	(6.9)	(74)	9.3	n/m	
Acquisition and transition-related costs	√;ï ۵	0.9	5.8	(0.9)	n/m	(4.9)	(84)	
Performance fee pass through	42.0	49.0	108.8	(7.0)	(14)	(59.8)	(55)	
Gains (losses) on deferred compensation and seed capital investments	(10.6)	10.4	12.3	(21.0)	n/m	(1.9)	(15)	
Compensation and benefits	\$1,436.9	\$1,399.0	\$1,508.8	\$ 37.9	3	\$(109.8)	(7)	
o/m_notmooningful								

n/m - not meaningful

Compensationandbenefits for the yearended March 31, 2020, increase 3% to \$1.44 billion, ascompared o \$1.40 billion for the yearended March 31, 2019; and for the yearended March 31, 2019, decrease a% to \$1.40 billion, ascompared \$1.51 billion for the yearended March 31, 2018:

ï¿¹/₂Salaries incentives, and benefits increased \$16.5 million, to \$1.35 billion for the year ended March 31, 2020, as compared o \$1.33 billion for the year ended March 31, 2019, driven by a \$23.7 million increase in salary and incentive compensationelated to corporate and distribution personnel including increases all excommissions and a \$21.6 million increase in net compensationat investment affiliates, driven by an increase in operating evenues at certain affiliates. Increase in operating evenue at trevenue-share as eda ffiliates typically create corresponding increase in compensationer the applicable revenues hare agreements \$7.5 million increase in deferred compensationexpensed ueto higher annual cceleration of award for retirement employee also contributed to the increase. These increases were offset in part by \$34.7 million in saving from our strategic restructuring.

Salaries incentives and benefits decrease **\$**52.5 million, to \$1.33 billion for the yearended March 31, 2019, as compared o \$1.38 billion for the yearended March 31, 2018, driven by a \$47.9 million decrease in netcompensation and benefits at investment affiliates, which was primarily driven by the impact of the previously discussed lecrease in performance eesthat are not passed hrough as compensatione xpense.

- i¿1/2 Strategicrestructuringcostsof \$57.2 million for the year endedMarch 31, 2020, were primarily comprised of employeeterminationbenefit costs, including severance and the acceleration of deferred compensation awards. SeeNote 18 of Notesto Consolidated Financial Statements or additional information.
- �Affiliate chagesof \$2.4million for the yearendedMarch31,2020,werecomprised of severanceosts associated with restructuring lansat certain affiliates.

Affiliate charges of \$9.3 million for the yearended March 31, 2019, we recomprised of \$6.9 million of severance costs associated with restructuring lansat certain affiliates and \$2.4 million of management quity plancharges associated with an additional grant of equity units under the Roycemanagement quity plan. See Note 12 of Notes to Consolidated Financial Statement or additional information regarding management quity plans.

ï¿¹/₂Acquisitionandtransition-relatedcosts for the years ended March 31, 2019 and 2018, we recomprised of employee termination benefit costs including severance and the acceleration of deferred compensation wards related to the restructuring of Permal for the combination with EnTrust, which was completed n June 2018.

For the yearendedMarch 31, 2020, compensation as a percentage of operating revenues increased o 49.2%, as compared to 48.2% for the yearended March 31, 2019, primarily due to costs incurred in connection with our strategic restructuring in the current year

For the yearended March 31, 2019, compensation as a percentage of operating evenue semained elatively flat at 48.2%, as compared o 48.0% for the yearended March 31, 2018, as the impact of increased compensation expense for corporate and distribution personnel, which is not directly tied to revenues, was substantially offset by the impact of decreased performance esearned by Clarion Partners that were passed hrough as compensation expense.

Distribution and Servicing

For the yearendedMarch 31, 2020, Distribution and servicing expense secrease 6% to \$413.2 million, as compared of \$439.3 million for the yearendedMarch 31, 2019, primarily due to lower average AUM in certain products for which we pay fees to third-party distributors and a shift in average AUM subject to distribution and service fees to lower fees hare classes as previously discussed.

For the yearendedMarch 31, 2019, Distribution and servicing expense secreased 0% to \$439.3 million, as compared o \$489.3 million for the yearended March 31, 2018, primarily due to the impact of lower average rates paid on certain products for which we pay fees to third-party distributors.

Communicationsand Technology

For the year ended March 31, 2020, Communication and technology expense decreased % to \$225.4 million, as compared to \$228.1 million for the year ended March 31, 2019, primarily due to saving associated with our strategic restructuring.

For the year ended March 31, 2019, Communication and technology expension reased % to \$228.1 million, as compared to \$212.8 million for the year ended March 31, 2018, primarily due to an \$11.2 million increase in technology consulting and maintenance osts related to ongoing investments our technology capabilities.

Occupancy

For the year ended March 31, 2020, Occupancy expension crease 5% to \$110.4 million, ascompared o \$105.3 million for the year ended March 31, 2019, primarily due to strategiore structuring costs largely related to space/acated nour corporate head quarters.

For the yearended March 31, 2019, Occupancy expense increased to \$105.3 million, ascompared \$100.8 million for the yearended March 31, 2018, primarily due to real estaterelated charges recognized n the current year of \$5.3 million associated with vacated and subleased office space principally in our corporate head quarters.

Impairment of Intangible Assets

Impairmentof intangible assetswas \$365.2 million, and \$229.0 million for the years ended March 31, 2019 and 2018, respectively

The impairmentchages recognized uring the year ended March 31, 2019 were comprised of \$274.6 million and \$18.2 million related to the EnTrust Global indefinite-life fund management on tracts asset and tradename asset, respectively and \$65.0 million, \$6.4 million, and \$1.0 million related to the RARE Infrastructure indefinite-life fund management on tracts asset amortizable fund management on tracts asset and tradename asset, respectively. The impairments to the EnTrust Global assets were primarily the result of continued net client outflows from legacy high net worth fund products eading to reduce dyrow the xpectation in both management essand performance and a higher discount rate. The impairments to the RARE Infrastructure indefinite-life fund management on tracts and tradename assets were primarily the result of lower than expected net client inflows and performance sets, leading to a lower margin, and a higher discount rate. The impairment to the RARE Infrastructure mortizable assets essent and tradename assets essent and tradename assets and tradename assets

The impairment charges recognized uring the year ended March 31, 2018, we recomprise of \$195.0 million related to the EnTrust Global indefinite-life fund management on tract asset \$32.0 million related to the RARE Infrastructure amortizable management on tract asset and \$2.0 million related to the RARE Infrastructure tradenameasset. The impairment to the EnTrust Global indefinite-life fund management on tract asset was primarily the result of net client outflows from legacy high networth fund products including transfers of client funds from such products into EnTrust Global separate accounts, and the related decline in revenues. The impairments to the RARE Infrastructure assets resulted from losses of separate account AUM and other factors at RARE Infrastructure and the related decline in projected revenues. A revised estimate

of the remaining usefullife of the RARE Infrastructures eparate account contracts intangible asset also contributed to the impairment of that asset.

SeeCritical AccountingPolicies and Note 5 of Notesto ConsolidatedFinancialStatements for further discussion of these impairment charges.

ContingentConsiderationFair ValueAdjustments

Contingentconsideration fair value adjustments or the years ended March 31, 2020, 2019 and 2018 included a credit of \$0.9 million, an expense f \$0.6 million, and credits aggregatin \$31.3 million, respectively The credits in fiscal 2018 were comprised of \$32.0 million which reduced the contingent consideration liabilities related to the acquisitions of RARE Infrastructure Martin Currie, and QS Investors offset in part by an expense f \$0.7 million, which increased the contingent consideration is a consideration of PK Investments.

Other

For the year endedMarch 31, 2020, Other expense science ase \$28.8 million, or 12%, to \$209.5 million, as compared \$238.3 million for the year ended March 31, 2019, primarily due to \$24.5 million of savings associated with our strategic restructuring and a \$4.2 million chage recognized n the prior year period for a regulatory matter

For the year endedMarch 31, 2019, Other expenses decrease \$44.0 million, or 16%, to \$238.3 million, as compared o \$282.3 million for the year endedMarch 31, 2018, primarily due to a decrease of \$62.8 million in charges related to the regulatory matter further discussed in Note 9 of Notesto Consolidated Financial Statements with \$4.2 million of charges recognized in fiscal 2019 and \$67.0 of charges recognized in fiscal 2018. This decrease as offset in part by a \$17.2 million increase in professionafees, largely related to the strategic restructuring and other corporate restructuring.

Non-Operating Income (Expense)

The components f Total Non-Operating ncome (Expense) in millions), and the dollar and percentage hanges between periods were as follows:

Years	Ended M	larch 31,				mpared to 17
2020 2019 2018 Ch		\$ Change	% Change	\$ Change	% Change	
\$ 12.3	\$ 12.2	\$ 7.1	\$ 0.1	1%	\$ 5.1	72%
(109. 9)	(117.3)	(117.9)	7.4	(6)	0.6	(1)
(13.3)	31.1	10.8	(44.4)	n/m	20.3	n/m
16.3	(0.6)	9.8	16.9	n/m	(10.4)	n/m
\$ (94.6)	\$ (74.6)	\$ (90.2)	\$ (20.0)	27	\$ 15.6	(17)
	2020 \$ 12.3 (109.9) (13.3) 16.3	2020 2019 \$ 12.3 \$ 12.2 (109.9) (117.3) (13.3) 31.1 16.3 (0.6)	\$ 12.3 \$ 12.2 \$ 7.1 (109.9) (117.3) (117.9) (13.3) 31.1 10.8 16.3 (0.6) 9.8	Years Ended March 31, 20 2020 2019 2018 Change \$ 12.3 \$ 12.2 \$ 7.1 \$ 0.1 (109.9) (117.3) (117.9) 7.4 (13.3) 31.1 10.8 (44.4) 16.3 (0.6) 9.8 16.9	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	Years Ended March 31, 2018 20 2020 2019 2018 Change Change Change \$ 12.3 \$ 12.2 \$ 7.1 \$ 0.1 1% \$ 5.1 (109.9) (117.3) (117.9) 7.4 (6) 0.6 (13.3) 31.1 10.8 (44.4) n/m 20.3 16.3 (0.6) 9.8 16.9 n/m (10.4)

n/m - not meaningful

Interest Income

For the yearended March 31, 2020, Interestincomeremained elatively flat at \$12.3 million, ascompared o \$12.2 million for the yearended March 31, 2019.

For the year ended March 31, 2019, Interestincome increased \$5.1 million to \$12.2 million, as compared o \$7.1 million for the year ended March 31, 2018, driven by higher yields earned on higher average interest-bearing over the balances.

Interest Expense

For the yearended March 31, 2020, Interest expense decrease 7.4 million, to \$109.9 million, ascompared o \$117.3 million for the yearended March 31, 2019, primarily due to the repayment \$125.5 million of outstanding borrowing sunder our Credit Agreement September 2018 and the repayment our \$250 million 2.7% Senior Notes in July 2019.

For the year ended March 31, 2019, Interest expense emained elatively flat at \$117.3 million, ascompared o \$117.9 million for the year ended March 31, 2018.

Other Income (Expense), Net

For the yearsendedMarch 31, 2020 and 2019, Otherincome (expense) net, totaledexpense f \$13.3 million and income \$31.1 million, respectively The year endedMarch 31, 2020, included \$10.6 million of net marketlosses on seed capital investments and assets invested for deferred compensation plans, which were offset by a corresponding decrease of net marketgains on investments of consolidated sponsore investment products that are not designated sCIVs, which haveno impact on Net Income Attributable to LeggMason, Inc., as the gains are fully attributable on on controlling interests. They are not design at eds 14.1 million of gains on corporation vestments \$10.4 million of net marketgains on seed capital investments and assets invested for deferred compensation plans, which were offset by a corresponding increase on seed capital investments and assets invested for deferred compensation plans, which were offset by a corresponding increase on seed capital investments and assets invested for deferred compensation plans, which were offset by a corresponding increase on seed capital investments and assets invested for deferred compensation plans, which were offset by a corresponding increase on seed capital investments and assets invested for deferred compensation plans, which were offset by a corresponding increase on seed capital investments and assets invested for deferred compensation plans, which were offset by a corresponding increase on seed capital investments and assets invested for deferred compensation plans, which were offset by a corresponding increase on seed capital investments and assets invested for deferred compensation plans, which were offset by a corresponding increase on seed capital investments and assets invested for deferred compensation plans, which were offset by a corresponding increase on compensation were offset by a corresponding increase on the plane.

For the yearended March 31, 2019, Otherincome (expense) net, was income of \$31.1 million, as compared o income of \$10.8 million for the yearended March 31, 2018. The yearended March 31, 2018, included \$12.3 million of net market gains on seechapital investments and assets invested or deferred compensation plans, which were offset by a corresponding increase in compensation expense offset in part by \$1.8 million of net market losses on corporate investments.

Non-OperatingIncome (Expense) of Consolidated nvestment Vehicles, Net

FortheyearendedMarch31,2020,Non-operatingincome(expense) f consolidated hvestment/ehicles, net, totaled income of \$16.3 million, ascompared o expense f \$0.6 million in the yearended March31,2019.

For the year endedMarch 31, 2019, Non-operatingincome (expense) of consolidated nvestment vehicles, net, totaled expense of \$0.6 million, ascompared o income of \$9.8 million in the year ended March 31, 2018.

SeeNotes1 and 20 of Notesto Consolidated Financial Statements or additional information regarding the consolidation of sponsore investment vehicles and net market gains on investments of certain CIVs.

Income Tax Provision (Benefit)

For the years ended March 31, 2020 and 2019, the incometax provision was \$106.0 million and \$20.6 million, respectively and for the year ended March 31, 2018, the incometax benefit was \$102.5 million. The effective tax rate was 25.8% and 72.2% for the years ended March 31, 2020 and 2019, respectively and the effective benefit rate was 43.8% for the year ended March 31, 2018. The effective tax rate for the year ended March 31, 2019, reflects final adjustments elated to the impact of the Tax Cuts and Jobs Act of 2017 (the "Tax Law"), which was enacted on Decembe 22, 2017, while the effective benefit rate for the year ended March 31, 2018, reflects the impact of the Tax Law recognized upon enactment.

The effective tax rate for the yearended March 31, 2020 reflects net discrete tax expenses \$2.4 million, primarily related to the revaluation of certain existing deferred axasset and liabilities, a reduction in netoperating dosdue to audits ettlements, and discrete tax expense ecognized or vested stock awards with a grant date exercise price higher than the vesting date stock prices, which were offset in part by a discrete tax benefit resulting from the settlement of prior yearstate audits and statut expirations. The net impact of all discrete tax items increased he effective incometax rate by 0.6 percentage oints for the year ended March 31, 2020.

For the year ended March 31, 2019, discrete tax expenses [\$14.1 million related to uncertaint ax positions for federal, state and local taxes (including those relating to recent legislative changes) was recognized. In addition, discrete tax benefits totaling \$2.8 million related to the completion of a prior year tax audit and other discrete tax benefits of \$1.3 million were recognized. Together the net impact of all discrete tax items increased he effective tax rate by 35.1 percent age oints for the year ended March 31, 2019.

As previouslydiscussed on Decembe 22, 2017, the Tax Law wasenacted. The reduction in the U.S. corporate ax rate, as well asotheraspects of the Tax Law, resulted in a one-time, non-cash provisional tax benefit of \$220.9 million, primarily due to the remeasurement of certain existing deferred ax assets and liabilities at the new 21% incometax rate. In addition, a non-cash ax chage of \$7.3 million was provisionally provided for the deemed epatriation of unremitted or eignearnings as provided under the Tax Law. Any tax provision associated with the repatriations was adjusted or reflect the impact of the Tax Law. As further discussed in Note 7 of Notesto Consolidated Financial Statements our accounting for the tax on unremitted or eignearnings was completed buring fiscal 2019 and anadjustment in the amount of \$2.2 million of additional expense was recorded in that period.

Also, during the yearended March 31, 2018, the effective benefitrate was impacted by 9.7 percentage oints for the nondeductibility of the charge for the regulatory matter discussed in Note 9 of Notesto the Consolidated Financial Statements. In addition, for fiscal 2018, changes in state apportion mentand statelaws, audit settlements and other discrete changes impacting stated efferred tax liabilities resulted in additional net tax expenses f \$3.3 million, which reduced the effective benefitrate by 1.1 percentage oints for the yearended March 31, 2018. Further, a \$0.8 million discrete ax expenses recognized with respecto equity-based compensation which reduced the effective benefitrate by 0.3 percentage oints.

CIVs and other consolidated sponsored hvestmen products reduced he effective tax rateby 0.8 percentage oints and 2.0 percentage oints for the years ended March 31, 2020 and 2019, respectively and increased he effective benefitrate by 1.3 percentage oints for the year ended March 31, 2018.

Net Income (Loss) Attributable to Legg Mason, Inc. and Operating Margin

Net IncomeAttributableto LeggMason, i¿ 1/2 for the yearendedMarch 31, 2020, totaled \$251.4 million, or \$2.79 perdiluted share as compared o Net Loss Attributableto LeggMason, Inc. of \$28.5 million, or \$0.38 per diluted share for the year endedMarch 31, 2019. If the increase in Net Income (Loss) Attributable to LeggMason, Inc. wasprimarily driven by non-cashimpairment charges totaling \$365.2 million, or \$3.12 per diluted share recognized in the prior year, as well as higher operating revenues in the current year reflecting an increase in investmentad visory fees driven by higher average AUM and an increase in performance ees that we renot passed through as compensation expenses well as the impact of savings from the strategic restructuring. These increases were offset in part by higher strategic restructuring and corporate restructuring costs in the current year, the previously discussed ncrease in compensation expenses for corporate and distribution personnel including increase shales commissions and net market losses recognized in corporate investments as compared ogains recognized in the prior year. Operating margin was 17.3% for the year endedMarch 31, 2020, as compared on 3.6% for the year endedMarch 31, 2019, reflecting the non-cashimpairment charges recognized in the year endedMarch 31, 2019.

Net LossAttributableto Legg Mason, i / 1/2 for the year ended March 31, 2019, totaled \$28.5 million, or \$0.38 per diluted share, as compared o Net IncomeAttributable to Legg Mason, Inc. of \$285.1 million, or \$3.01 per diluted share, for the yearendedMarch 31, 2018.ï زائد المعتاد الم cashimpairmentchagestotaling \$365.2 million, or \$3.12 per diluted share, strategic restructuring and other corporate restructurincostsof \$18.5million, or \$0.15perdiluted share affiliate charges of \$9.2million, or \$0.06perdiluted share, includingRoycemanagement quityplancosts of \$2.4 million, discretenettax expense and other tax items of \$7.7 million, or \$0.09per diluted share, and a \$4.2 million, or \$0.05per diluted share, charge associated with the regulatory matter discussedin Note 9 of Notesto Consolidated Financial Statements Net Income Attributable to Legg Mason, Inc. for the yearendedMarch31,2018includedaone-time.netnon-cashprovisionaltaxbenefitof \$213.7million, or \$2.26perdiluted share related to the Tax Law. This benefit was offset in part by non-cash mpairment charges related to intangible assets of \$229.0million, or \$1.96per diluted share and a \$67.0million, or \$0.71per diluted share charge related to the regulatory matterdiscussed bove. The yearended March 31, 2018 also included adjustment so decreas the fair value of contingent considerationiabilities by \$31.3 million, or \$0.33 perdiluted share. Operating margin was 3.6% for the yearended March 31,2019, ascompared to 10.3% for the yearended March 31,2018, reflecting the impact of the non-cash impairment charges and the charges related to the regulatory matter recognized n both the years ended March 31, 2019 and 2018, as discussed above.

SupplementalNon-GAAP Financial Information

As supplementainformation, we are providing performance measure for "Adjusted Net Income", "Adjusted Earnings Per Diluted Share" ("Adjusted EPS") and i 21/2 Adjus @pleratingMargin i 28/0 ng with a liquidity measure for "Adjusted EBITDA", each of which is based on methodologies other than generally accepted accounting principles ("non-GAAP"). Effective with the quarterended June 30, 2019, we begand is closing Adjusted Operating Margin, which revises our prior disclosure of Operating Margin, as Adjusted, to include adjustment for restructuring costs and acquisition expenses and transition-related costs for integration activities, each of which is further describe below.

Our management sest he performance measure as benchmark so evaluate and compare our period-to-period perating performance. We believe that these performance measure provide useful information about the operating results of our core asset management business and facilitate comparison of our results to other asset management irms and period-to-period results. We are also providing a non-GAAP liquidity measure for Adjusted EBITDA, which our management as a sabenchmark evaluating and comparing our period-to-period quidity. We believe that this measures useful to investors asit provides additional information with regard to our ability to meetworking capital requirements pervice our debt, and return capital to our stockholders.

AdjustedNetIncome and AdjustedEarnings per Diluted Share

AdjustedNetIncomeandAdjustedEPSonly includeadjustments for certainitemsthatrelateto operatingperformance and therefore are most readily reconcilable o NetIncome(Loss)Attributable to LeggMason,Inc. andNetIncome(Loss)per Diluted ShareAttributable to LeggMason,Inc. Shareholders determined undergenerally accepted accounting principles ("GAAP"), respectively

We defineAdjustedNetIncomeasNetIncome(Loss)Attributableto LeggMason,Inc. adjustedo excludethe following:

ï¿1/2Restructuringcosts,including:

Corporate charges related to the ongoing strategic restructuring and other cost saving and business initiatives, including severance as and other costs and certain transaction-related osts; and Affiliate charges, including affiliate restructuring and severance osts, and certain one-time charges arising from the issuance of management quity planawards

- ï¿1/2Amortizationof intangibleassets
- ï¿1/2Gainsandlosseson seedandotherinvestmentschatarenot offset by compensationor hedges

i¿1/2 Acquisition expenses and transition-related costs for integration activities, including certain related professional fees and costs associated with the transition and acquisition of acquired businesses

- ï¿1/2Impairmentsof intangibleassets
- ï¿1/2Contingentconsiderationfair valueadjustments
- ï¿1/2Chagesrelatedto significant litigation or regulatorymatters
- ï¿1/2Income tax expense(benefit) adjustmentsto provide an effective non-GAAP tax rate commensurate with our expected annual pre-taxAdjustedNet Income, including:

The impacton incometax expense benefit) of the abovenon-GAAP adjustments and Othertaxitems, including deferred axasse and liability adjustment associated with statutory ratechanges, the impact of other aspects frecent U.S. tax reform, and shortfalls (and windfalls) associated with stock-base dompensation

Adjustmentsfor restructuringcosts,gainsandlosseson seedandotherinvestmentschatarenot offset by compensationer hedgesandtheincometax expense (benefit) items described boveare included in the calculation because hese items are not reflective of our coreasset management usines of providing investment management and related products and services. We adjust for acquisition-related tems, including amortization of intangible assets impairments of intangible assets and contingent consideration fair value adjustments to make it easier to identify trends affecting our underlying business that are not related to acquisitions facilitate comparisor of our operating results with the results of otherasset management firms that have not engaged in significant acquisitions. We adjust for chages (credits) related to significant litigation or regulatory matters, net of any insurance proceed and revenues hare adjustments because hese matters do not reflect the underlying operations and performance of our business.

In calculatingAdjustedEPS,weadjustNetIncome(Loss)perDilutedShareAttributabletoLeggMason,Inc.Shareholders determinedunderGAAP for the pershareimpactof eachadjustmen(netof taxes)included in the calculation of Adjusted NetIncome.

These measure are provided in addition to Net Income (Loss) Attributable to Legg Mason, Inc., and Net Income (Loss) per Diluted Share Attributable to Legg Mason, Inc. Shareholder and are not substitute for these measures These non-GAAP measures houldnot be considered in isolation and may not be comparable on non-GAAP performance measures including measures f adjusted arning for adjusted ncome, and adjusted arning pershare of other companies, espectively Further Adjusted Net Income and Adjusted EPS are not liquidity measure and should not be used in place of cashflow measures determined under GAAP.

The calculations of AdjustedNetIncomeandAdjustedEPS areas follows (dollars in thousand sexcept pershare amounts):

	Years	Ended Marc	ch 3	1,
	 2020	2019		2018
Net Income (LossAttributable to Legg Mason, Inc.	\$ 251,367 \$	(28,508)	\$	285,075
Plus (less):				
Restructuring costs:				
Strategic restructuring and other corporate initiatives	90,519	23,655		5,054
Affiliate chages ²⁾	2,414	7,526		¹ /2
Amortization of intangible assets	22,539	24,404		24,604
Gains and losses on seed and other investmentsf set bý compensation or hedges	1,256	(17,777)		(728)
Acquisition and transition-related costs	2∕!خ	2,466		7,049
Impairments of intangible assets	2∕′;	365,200		229,000
Contingent consideration fair value adjustments	(915)	571		(31,329)
Chages related to significant regulatory matters	2∕′;	4,151		67,000
Income tax adjustments:				
Impacts of non-GAAPadjustments	(31,285)	(103,04 9		(54,324)
Other tax items	3,097	9,980		(208,99 3
Adjusted Net Income	\$ 338,992 \$	288,619	\$	322,408
Net Income (Loss) Per Diluted Shatteributable to Legg Mason, Inc. Shareholders	\$ 2.79 \$	(0.38)	\$	3.01
Plus (less), net of tax impacts:				
Restructuring costs:				
Strategic restructuring and other corporate initiatives	0.73	0.20		0.04
Affiliate chages	0.02	0.06		⁄1غï
Amortization of intangible assets	0.18	0.21		0.18
Gains and losses on seed and other investmentsf set b	0.01	(0.15)		"ز ½ئ
Acquisition and transition-related costs	2∕′;	0.02		0.05
Impairments of intangible assets	2∕′;	3.12		1.96
Contingent consideration fair value adjustments	2∕!خ	0.01		(0.33)
Chages related to significant regulatory matters	2∕!خ	0.05		0.71
Other tax items	0.03	0.12		(2.21)
Adjusted Earnings per Diluted Share	\$ 3.76 \$	3.26	\$	3.41

(1) SeeNote 18 of Notesto Consolidated Financial Statements or additional information regarding our strategiore structuring initiatives.

(2) See"Resultsof Operations"abovefor additionalinformationregardingaffiliate charges.

(3) The non-GAAP effective tax rates for the years ended March 31, 2020, 2019 and 2018, were 26.1%, 26.0% and 30.1%, respectively

AdjustedNetIncomewas\$339.0million, or \$3.76per diluted share,for the yearendedMarch 31, 2020, as compared o \$288.6million, or \$3.26per diluted share for the yearendedMarch 31, 2019. The increase was driven by higher operating revenues reflecting an increase in investment advisory fees from funds and separate accounts driven by higher average AUM and an increase in performance esthat we renot passed hrough as compensation expense as well as the impact of savings from the strategior estructuring.

AdjustedNet Incomewas \$288.6 million, or \$3.26 per diluted share for the yearended March 31, 2019, as compared of \$322.4 million, or \$3.41 per diluted share for the yearended March 31, 2018. Adjusted Net Incomedecrease primarily due to lower operating revenues.

AdjustedOperatingMargin

We calculateAdjustedOperatingMargin, by dividing �Adjust@peratingIncome�,Adjust@peratingRevenues�, eachof which is further discussed below. These measures only include adjustments or certain items that relate to operating performance and therefore are most readily reconcilable o OperatingMargin, OperatingIncome(Loss) and Total Operating Revenues Revenues determined under GAAP, respectively

We defineAdjustedOperatingRevenuesadjustedo:

�Include:

Net investmentadvisoryfeeseliminateduponconsolidation finvestment/ehicles

�Exclude:

Distribution and servicing fees and a portion of Investmentadvisory fees used to pay distribution and servicing costs to third party intermediaries based in contractual elationship she third-party intermediaries have with the ultimate clients. The amount of Distribution and servicing fees and the portion of Investment advisory fees excluded approximate the direct costs of selling and servicing our products that are paid to third-party intermediaries based in contractual percentages of the value of the related AUM Performance ees that are passed by a compensation expense or net income (loss) attributable to noncontrolling interests

Thesædjustment**s**lonotrelatetoitemsthatimpactNetincome(Loss)AttributabletoLeggMason,Inc.andtheyareincluded in one of the waysour managementriews and evaluates our busines sesults.

We defineAdjustedOperatingIncome,asOperatingIncome(Loss),adjustedo excludethefollowing:

ï¿12Restructuringcosts,including:

Corporate chages related to the ongoing strategic restructuring and other cost saving and business initiatives, including severance as and other costs and other transaction costs; and

Affiliate chages, including affiliate restructuring and severance osts, and certain one-time chages arising from the issuance of management quity plan awards

- ï¿1/2Amortizationof intangibleassets
- ï¿1/2Theimpacton compensationexpenseof:

Gainsandlosseson investmentsmadeto fund deferred compensationplans

- Gainsandlosseson seedcapitalinvestmentsby our affiliates underrevenues haringarrangements
- i¿1/2 Acquisition expenses and transition-related costs for integration activities, including certain related professional feesand costs associated with the transition and acquisition of acquired businesses
- ï¿1/2Impairmentsof intangibleassets
- ï¿1/2Contingentconsiderationair valueadjustments
- ï¿1/2Chagesrelatedto significant regulatory matters
- ï¿1/2Income(loss)of consolidatedinvestment/ehicles

In calculatingAdjustedOperatingIncome, we adjustfor restructuringcostsbecauseheseitems are not reflective of our coreassetmanagementusines of providing investment anagement indrelated products and services. We adjustfor the impacton compensation spense of gains and loss exponents and eto fund deferred compensation plans and on seed capital investments by our affiliates underrevenues having arrangement because they are offset by an equal amount in Non-operating income (expense), net, and thus have no impact on Net Income Attributable to Legg Mason, Inc. We adjustfor acquisition-related tems, including amortization of intangible assets impairments of intangible assets and contingent consideration fair value adjustments on make it easie to identify trends affecting our underlying business that are not related to acquisitions to facilitate comparisor of our operating results with the results of otherasset management is that have not engage in significant acquisitions. We adjust for chages (credits) related to significant litigation or regulatory matters, net of any insurance proceed and revenues hare adjustments because the sematters on ot reflect the underlying operations and performance of our business. We adjust for income (loss) of consolidate investment vehicles because the consolidation of these investment vehicles does not have an impact on Net Income (Loss) Attributable to Legg Mason, Inc.

Thesemeasure are provided in addition to and are not substitutes for our OperatingMargin, OperatingRevenues and OperatingIncome(Loss) calculated under GAAP. Thesenon-GAAP measure should not be considered in isolation and may not be comparable on non-GAAP performance measures including measures of adjusted margins, adjusted operating revenues and adjusted operating income, of other companies. Further, Adjusted OperatingMargin, Adjusted Operating Revenues and Adjusted Operating non-easure and should not be used in place of cashflow measures determined under GAAP.

The calculations of Operating Main and Adjusted Operating Main, are as follows (dollars in thousands):

	Years Ended Ma							
		2020		2019		2018		
Operating Revenues, GAAPasis	\$	2,922,125	\$	2,903,259	\$	3,140,322		
Plus (less):								
Pass through performance fees		(41,98 3)		(49,048)		(108,75 7)		
Operating revenues eliminated upon consolidation of investment vehicles		402		599		578		
Distribution and servicing fees		(270,39 8		(302,967)		(321,936)		
Investment advisory fees		(141,83 8		(136,177)		(167,374)		
Adjusted Operating Revenues	\$	2,468,308	\$	2,415,666	\$	2,710,207		
Operating Income (Loss), GAAPasis	\$	505,160	\$	103,102	\$	324,001		
Plus (less):								
Restructuring costs:								
Strategic restructuring and other corporate initiatives		90,519		23,655		5,054		
Affiliate chages		2,414		9,289		½';ĭ		
Impairment of intangible assets		<u>½</u> ′;		365,200		229,000		
Amortization of intangible assets		22,539		24,404		24,604		
Gains (losses) on deferred compensation and seed investr	ner	nts,						
net		(10,594)		10,416		12,345		
Acquisition and transition-related costs		ï¿1∕2		2,685		7,049		
Contingent consideration fair value adjustments		(915)		571		(31,329)		
Chages related to significant regulatory matters		�		4,151		67,000		
Operating loss of consolidated investment vehicles, net		1,894		1,588		877		
Adjusted Operating Income	\$	611,017	\$	545,061	\$	638,601		
Operating Magin, GAAPbasis	_	17.3%		3.6%		10.3%		
Adjusted Operating Majin		24.8		22.6		23.6		
, , , , , , , , , , , , , , , , , , , ,		-						

AdjustedEBITDA

We defineAdjustedEBITDA ascashprovidedby (usedin) operatingactivitiesplus (minus):

�Interestexpensenet of accretionandamortization of debtdiscount and premiums

ï¿1/2Currentincometax expense(benefit)

ï¿1/2Net changein assetsandliabilities, which aligns with the Consolidated Statements f CashFlows

i¿½Net (income)lossattributableto noncontrollinginterests

ï¿1/2Net gains(losses)andearningson investments

�Net gains(losses)on consolidatednvestment/ehicles

�Other

Adjusted EBITDA is not reduced by equity-based compensation expense including management equity plan non-cash issuance-related harges. Most management equity plan units may be put to or called by Legg Mason for cash payment, although their terms do not require this to occur

This liquidity measures provided addition to Cashprovided by operating activities and may not be comparable on no-GAAP performance measures r liquidity measures f other companies including their measures f EBITDA or Adjusted EBITDA. Further, this measures not to be confused with Net Income (Loss), Cashprovided by operating activities, or other measures f earnings or cashflows under GAAP, and is provided as a supplemento, and not in replacement of, GAAP measures.

The calculations f Adjusted EBITDA areas follows (dollars in thousands):

تز:1⁄2		Years	ended Marc	/larch 31,			
		2020	2019		2018		
Cash provided by operating activities, GAAasis	\$	560,556 \$	560,866	\$	489,368		
Plus (less):							
Interest expense, net of accretion and amortization of debt discounts and premiums		108,526	115,284		115,056		
Current tax expense		8,997	26,716		38,983		
Net change in assets and liabilities		(5,382)	(52,518)		(31,125)		
Net change in assets and liabilities of consolidated investme vehicles	ent	(19,395)	(17,667)		67,792		
Net income attributable to noncontrolling interests		(53,119)	(36,442)		(51,275)		
Net gains (losses) and earnings on investments		29,290	27,705		(305)		
Net gains (losses) on consolidated investment vehicles		16,262	(565)		9,781		
Other		(732)	(1,155)		(1,047)		
Adjusted EBITDA	\$	645,003 \$	622,224	\$	637,228		

AdjustedEBITDA for the yearsendedMarch 31, 2020, 2019, and 2018, was \$645.0 million, \$622.2 million, and \$637.2 million, respectively Theincrease AdjustedEBITDA for the yearendedMarch 31, 2020, ascompared the yearended March 31, 2019, was primarily due to an increase in net income, adjusted for non-cashtems. The decrease Adjusted EBITDA for the yearendedMarch 31, 2019, ascompared to the yearendedMarch 31, 2018, was primarily due to a decrease in Net Income, adjusted for non-cashtems.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2020, we had approximately \$745 million in cashand cash equivalents in excess of our working capital and regulatory requirements. The primary objective of our capital structures to provide needed iquidity at all times, including maintaining required capital in certain subsidiaries. Liquidity and the access to liquidity are important to the success of our ongoing operations. We review our overall funding needs and capital basemeets the expected needs of our businesses. During this period of heightened incertainty in the economic nvironment we remainfocuse don the preservation of capital to help us build and maintainliquidity.

As previously discussed on February 17, 2020, we entered not a Merger Agreement with Franklin Templeton. The Merger Agreement limits our ability to take certain actions including, among other things, acquiring businesses incurring capital expenditure boves pecified thresholds and incurring additional debt.

The consolidation of variable interestentities discussed bove does not impact our liquidity and capital resources. However, we have executed ot al returns wap arrangement with investors in certain exchange raded funds ("ETFs"), and as a result we receive the investors' related investment gains and losses on the ETFs and may be required to consolidate ETFs with open tot al returns wap agreements. At March 31, 2020, the tot al returns wap notional values aggregate \$14.2 million. If the tot al returns wap counterparties were to terminate their positions, Legg Mason may invest to support the ETF products. Otherwise, we have no rights to the benefits from, nor do we bear the risks associated with, the assets and liabilities of the CIVs and other consolidated sponsored nvest ment products beyond our investments in and investment advisory fees generated from the seproducts, which are eliminated in consolidation. Additionally, creditors of the CIVs and other consolidated sponsored nvest ment products our general credit beyond the level of our investment; any, so we do not conside the seliabilities to be our obligations.

Our asset consist primarily of intangible assets good will, cash and cash equivalents investments ecurities and investment advisory and related fee receivables. Our operations have been principally funded by equity capital, long-term debt and retained earnings. At Marchi 21/20120, cash and cash equivalents total assets long-term debt, net, and stockholders equity were \$1.0 billion, \$8.0 billion, \$2.0 billion and \$3.8 billion, respectively Total assets include amounts related to CIVs and other consolidated sponsore investment products of \$0.2 billion.

Cashand cash equivalents are primarily invested in liquid domestic and non-domestic money market funds that hold principally domestic and non-domestic government and agency securities bank deposits and corporate commercia paper and short-term treasury bills. We have not recognized any losses on these investments Our monitoring of cashand cash equivalents partially mitigates the potential that material risks may be associated with these balances.

The following tablesummarizesour Consolidates Statements f CashFlows for the years ended March 31 (in millions):

تى1⁄2	2020 2019			2018		
Cash flows provided by operating activities	\$	560.6	\$	560.9	\$	489.4
Cash flows used in investing activities		(45.4)		(36.5)		(19.5)
Cash flows used in financing activities		(409.0)		(331.5)		(462. 3)
Effect of exchange rate changes		(7.3)		(15.9)		11.9
Net change in cash and cash equivalents		98.9		177.0		19.5
Cash and cash equivalents, beginning of period		950.8		773.8		754.3
Cash and cash equivalents, end of period	\$	1,049.7	\$	950.8	\$	773.8

Cashinflows provided by operating activities during fiscal 2020 were \$560.6 million, primarily related to Net Income, adjusted or non-cashitems. Cashinflows provided by operating activities during fiscal 2019 were \$560.9 million, primarily related to Net Income, adjusted or non-cashitems, including impairment charges totaling \$365.2 million. Cashinflows provided by operating activities during fiscal 2018 were \$489.4 million, primarily related to Net Income, adjusted or non-cashitems, including impairment charges and the \$213.7 million tax benefit recognized n connection with the enactment of the Tax Law, offset in part by net activity of CIVs

Cashoutflows usedin investingactivities during fiscal 2020 were \$45.4 million, primarily related to payments fixed assets a minority investmentin a U.K. retirements olutions provider, and the acquisition of Gramercy Europe (Jersey) Limited ("Gramercy"), further discussed below, offset in part by returns of capital received on certain investments in partnership and limited liability companies Cashoutflows used ninvesting activities during fiscal 2019 were \$36.5 million, primarily related to payments made for fixed assets offset in part by returns of capital received on certain investments in partnership and limited liability companies Cashoutflows used ninvesting activities during fiscal 2018 were \$19.5 billion, primarily related to payments made for fixed assets offset in part by returns of capital received on certain investments in partnership and limited liability companies Cashoutflows used ninvesting activities during fiscal 2018 were \$19.5 billion, primarily related to payments made for fixed assets offset in part by returns of capital received on certain investments in partnership and limited liability companies.

Cashoutflowsusedin financingactivitiesduringfiscal 2020were\$409.0million, primarily related to the repayment our \$250 million 2.7% SeniorNotesin July 2019, dividendspaid of \$138.0million, distributions noncontrollinginterest holders \$37.8million, and employed ax withholding by settlement netshard ransactions \$15.4million, offset in partby issuances f commonstock for stock-based ompensation \$44.1million. Cashoutflowsused in financing activities during fiscal 2019 were \$331.5million, primarily related to the repayment \$125.5million of outstanding borrowings under our unsecured evolving credit agreement [asamended rom time to time the "Credit Agreement"], dividend spaid of \$114.8 million, distributions to noncontrolling interest holders of \$38.6 million and net redemptions attributable to noncontrolling fiscal 2018 were \$462.3million, primarily related to the purchase f 6.6 million shares f our common stock for \$253.6million through openmarket purchase the purchase f 5.6 million shares f our common stock for \$253.6million through openmarket purchase the purchase f 5.6 million shares f our common stock for \$102.2million, offset in partby \$125.5million of netborrowings under our Credit Agreement of fund the purchase of our common stock for \$102.2million, offset in partby \$125.5million of netborrowings under our Credit Agreement of fund the purchase of our share from Shanda.

On April 3, 2020, we borrowed\$250 million under the Credit Agreement o provide additional liquidity amid heightened uncertainty due to the COVID-19 pandemic. We do not currently foresee any need to utilize this cash, but it was drawn as a precaution in the event the economic environment worsens significantly. Based on our current level of operations, we expect that cash generated from our operating activities, together with available cash on hand, excluding the proceed soft the Credit Agreement drawing, will be adequate o support our working capital needs for at least the next 12 months. Should the economic environment worsens ignificantly and our projections prove incorrect, we would have the Credit Agreement drawdown proceed so at least to the limitations contained in the Merger Agreement, we currently intend to utilize our available resources for activities including, but not limited to, strategic estructuring acquisitions seed capital investments in new and existing products and payment of dividends. In addition our ordinary operating cash needs we

anticipateothercashneedsduring the next 12 months, including the payment of certainseverancendretention incentives in connection with the Merger, as further discussed below

Financing Transactions

The table below reflects our primary sources financing (in thousands):

	A	mount Ou Marc		anding at ,1⁄231,		
Туре		2020		2019	Interest Rate	Maturity
3.95% Senior Notes due July 2024	\$	250,000	\$	250,000	3.95%	July 2024
4.75% Senior Notes due March 2026		450,000		450,000	4.75%	March 2026
5.625% Senior Notes due January 2044		550,000		550,000	5.625%	January 2044
6.375% Junior Subordinated Notes due March 2056		250,000		250,000	6.375%	March 2056
5.45% Junior Subordinated Notes due September 20)56	500,000		500,000	5.45%	September 2056
2.7% Senior Notes due July 2019		<i>1⁄2</i> غ	2	250,000	2.70%	July 2019
Revolving credit agreement		¹ /2	2	½ئï	Eurocurrency Rate�+�1. 0.175% annual commitment fee	

(1) \$500,000availableas of March 31, 2020, subject to the terms of the Merger Agreement however \$250 million of this amount was drawn in April 2020.

Long-term Debt

On July 15, 2019, we repaid the \$250 million of 2.7% SeniorNotes due July 2019, using existing cashresources.

RevolvingCredit Agreement

We maintain an unsecure Credit Agreement which provides for a \$500 million multi-currency revolving credit facility may be increased by an aggregate mount of up to \$500 million, to \$1.0 billion, subject to the approvable the lenders expires in Decembe 2020, and can be repaided any time. This revolving credit facility is available to fund working capital needs and for general corporate purposes. The reverence borrowing soutstanding under the Credit Agreement as of March 31, 2020. Under the terms of the Merger Agreement, we may not borrow more than \$30 million under the revolving credit facility and borrowing smust be made in the ordinary course of business consistent with past practice. As previously discussed with the approval of Franklin Templeton, on April 3, 2020, we borrowed \$250 million under the Credit Agreement oprovide addition alliquidity as a precaution.

Thefinancial covenant sinder the Credit Agreement nclude: maximum net debto EBITDA ratio of 3.0 to 1; and a minimum EBITDA to interestratio of 4.0 to 1. Debtis defined to include all obligations for borrowed money excluding non-recourse debtof CIVs and capital leases. Under the senet debt coven ant sour debtis reduce dy the amount of our unrestricted ash in excess of the greater of subsidiary cashor \$300 million, by the lesser of 50% of the aggregate mount of our seed: apital investments or \$125 million, and an amount equal to 50% of our hybrid capital securities. EBITDA is defined as consolidated net income (loss) plus/minus tax expense (benefit), interest expense, depreciation and amortization, amortization of intangibles any extraordinary expense or losses any non-cash charges, and certain transition-related osts as defined in the agreements As of March 31, 2020, our net debt to EBITDA ratio was 1.9 to 1 and EBITDA to interest expense for was 6.1 to 1, and therefore, we have maintained compliance with the applicable covenants. After giving effect to the April 3, 2020 drawdown under the Credit Agreement our net debt to EBITDA ratio was 2.2 to 1 and our EBITDA to interest expense ratio was 5.7 to 1.

If our netincomesignificantly declines or if we spendbur available cash, it may impact our ability to maintain compliance with the financial covenants under our Credit Agreement. If we determine that our compliance with these covenants may be underpressure at time when we haveout standing borrowing sunder this facility, want to utilize available borrowings, or otherwise desire to keep borrowing savailable, subject to the terms of the Merger Agreement, we may elect to take a number of actions, including reducing our expenses in order to increase our EBITDA, using available cash to repay all or a portion of our outstanding debtor seeking on egotiate with our lenders to modify the terms or to restructure our debt. Using available cash to repay indebted nesseould make the cash unavailable for other use and might affect the liquidity discussions

and conclusions. Enteringinto any modification or restructuring of our debtwould likely resultin additional feesor interest payments.

Our CreditAgreements currently impacted by the ratings of two rating agencies. The interestrate and annual commitment fee on our revolving line of credit are based on the higher credit rating of the two rating agencies. One rating agency gives us a lower credit rating than the other. Should the other agency downgrad our rating, absentan upgrad from the former agency and if there are borrowing souts tanding under the revolving credit facility, our interest costs will rise modestly.

Other

Certainof our assetmanagement filiates maintainvarious credit facilities for generabperating urposes Certain affiliates are subject to the capital requirements f various regulatory agencies All such affiliates met their respective apital adequacy requirements during the periods presented.

SeeNote6 of Notesto ConsolidatedFinancialStatements or additionalinformationregardingour debt.

Other Transactions

Acquisitions and Contingent Consideration

On April 10, 2019, Clarion Partner acquired a majority stake in Gramercya Europearreal estatebusines specializing in pan-Europear of gistics and industrial assets. The transaction equired an initial cash payment of \$10.2 million, net of cash acquired which was paid using existing cash resources and a potential contingent consideration payment further discussed below.

On May 2, 2016, we closed the transaction combinePermalandEnTrust, to createEnTrustPerma(which was renamed EnTrustGlobalin March2019), of which we own 65%. In connection with the combination, we incurred restructuring and transition-related costs totaling approximately \$94 million through completion of the planin June 2018, approximately 15% of which we renon-cash chages.

ContingentConsideration

TheClarionPartner acquisition of Gramer cyprovides for a potential contingent consideration payment of up to 327 million (using the foreign exchange at easof April 10, 2019, for the 72/2313 llion potential payment) due on the fifth anniversary of closing. As of March 31, 2020, the related contingent consideration is ability was \$3.3 million.

Effective May 31, 2014, we completed the acquisition of QS Investors. In December 2018, we paid \$4.3 million for the final installment of contingent consideration using existing cash resources.

OnDecember 1,2015, Martin Currieacquirectertainasset of PKInvestmentsIn December 2017, contingent consideration of \$3.2 million was paid using existing cash resources.

SeeNotes2; 261d9 of Notesto Consolidated Financial Statements or additional information regarding acquisitions and contingent consideration respectively

Noncontrolling Interests

As further described below, we may be obligated to settle noncontrolling interests related to certain affiliates. The following table present as ummary of our affiliate redeemable on controlling interests carrying values (in millions), excluding amounts related to management quity plans. These carrying values reflect the estimated settlement values, except when such settlement values are less than the issuance price, the carrying value reflects the issuance price. The ultimate timing and amounts of noncontrolling interests ettlements are to uncertain to project with any accuracy

	EnTru	ust Global	-	larion artners	C	Other	То	otal
Affiliate noncontrolling interests as of Mach 31, 2020	\$	379.1	\$	133.6	\$	12.7	\$ 5	525.4

Noncontrollinginterests of 35% of the outstanding equity of EnTrust Global and 18% of the outstanding equity of Clarion Partners are subject to put and call provisions that may result in future cashout lays, generally starting in fiscal 2022 for both EnTrust Global and Clarion Partners but subject to earlier effectiveness in certain circumstances.

On May 10, 2019, we purchased the 15% equity interestin RARE Infrastructure held by the firm's management teamfor total consideration of \$22.0 million. The initial cashpayment \$12.0 million, including \$1.8 million of dividends arrears, was made on May 10, 2019, using existing cash resources. Half of the deferred consideration was paid in May 2020 and the remaining half will be due, subject to certain conditions, two years after closing.

On July 2, 2018, the corporateminority owner of RARE Infrastructure exercised the put option for its 10% ownership interest. The settlement/alueof \$15.5 million, along with \$1.0 million of dividends in arrears was paid in October 2018.

SeeNote 16 of Notesto ConsolidatedFinancialStatements or additional information.

Affiliate ManagementEquity Plans

In conjunction with the acquisition of Clarion Partners April 2016, we implemented an affiliate management quity plan that entitlescertainkey employees of Clarion Partners oparticipatein 15% of the future growth, if any, of the enterprise value (subject o appropriated is counts) subsequents the date of the grant. In March 2016, we implemented an affiliate management quity plan with the management Royce. Under this management quity plan, as of March 31, 2020, noncontrolling interest quivalent to 24.5% in the Royce entity have been issued to its management and filiate management quity plan in March 2014, that entitlescertainkey employees of Clear Bridgeto participatein 15% of the future growth, if any, of the enterprise value (subject o appropriated is counts).

As of March31,2020, the estimated edemption fair value for units undermanagement quity plansaggregate \$84.7 million. Repurchases funits granted under the plansmay impact future liquidity requirements however the amount sand timing of repurchases retoo uncertain to project with any accuracy SeeNote 12 of Notesto Consolidated Financial Statements for additional information regarding affiliate management quity plans.

ShareRepurchases

In January2015, our Boardof Directors authorized \$1.0 billion for purchases four commonstock. In Decembe 2017, our Board of Directors approved the purchases f 5.6 million shares of our commonstock for \$225.5 million from Shanda, utilizing the remaining \$169.0 million of commonstock available for repurchases authorized in January2015, and authorizing the purchase f anadditional \$56.5 million of commonstock to complete the transaction The aggregate urchases of \$225.5 million was effectively an acceleration of our share epurchase for any shares of our commonstock during the years ended March 31, 2020 and 2019, and as of March 31, 2020, further purchases for common stock have not been authorized and, without Franklin Templeton's consent are prohibited by the Merger Agreement while the Merger is pending.

Futur e Outlook

As previously discussed we currently intend to utilize our available cash resources of und various activities, however during this period of heightened uncertainty in the economic environment and with the Merger pending, we will remain focused on the preservation of capital to help us build and maintain liquidity. As of March 31, 2020, the \$745 million of cashand cash equivalents in excess of our working capital and regulatory requirements includes amount expected obe used to fund accrue compensation payments primarily in the first quarter of fiscal 2021.

StrategicRestructuring

As previously discussed we have initiated as trategiores tructuring or educe costs. We expect o incuraggregate estructuring costs in the range of \$100 million to \$105 million in connection with the strategic restructuring, which will be incurred through March 2021. The majority of the restructuring costs will be paid in cash. We have incurred \$80 million of strategic restructuring costs through March 31, 2020, and approximately \$43 million of these costs have been paid to date. We expect to incur approximately \$20 million to \$25 million of costs in fiscal 2021. See Note 18 of Notesto Consolidated Financial Statements or additional information. We expect that the strategic restructuring will result in future annual costs aving sof \$100 million or more, substantially all of which will be cashs avings. We expect to achieve these savings on a run rate basis by the end of fiscal 2021. As of March 31, 2020, we have realized cumulatives aving sof approximately \$72 million. We do not expect the Mergerto have an impact on the costs or saving sassociated with our strategic restructuring.

$Short-term Borrowings \, and \, Long-term \, Debt$

As previously discussed on April 3, 2020, we borrowed \$250 million under the Credit Agreement to provide additional liquidity amid heightened uncertainty due to the COVID-19 pandemic. Exclusive of these borrowings, we do not currently

expectto raiseadditionalincrementablebtor equity financing over the next 12�mont@sing forward, therecan be no assurances these xpectation@sourprojection@couldprovetobeincorrect_marketcondition@mightsignificantlyworsen, affecting our results of operation@ndgeneration of availablecash, or event@mayoccurthatrequireadditionalliquidity in excessof the remaining@mount@vailableunderour CreditAgreement%uchasan opportunity to refinanceindebtedness, or complet@an acquisition. If thes@eventsresultin our operation@nd@vailablecashbeinginsufficient to fund liquidity needs@vemayseektoman@our@vailableresources@vtaking@action@suchasreducing@perating@xpense@,educing@ur expected@xpenditure@on investments%elling@asset%uchasinvestmentsecurities),repatriating@arning@from foreign subsidiariesreducing@ur dividend, or modifying@arrangement@vith@ur affiliates@and/oremployees.Shouldthesetypes of actionsproveinsufficient, or shouldan@acquisitionor refinancing@pportunityarise,wew@udllikely@utilize@forwing@forw

Liquid Assets

Our liquid assetsincludecash, cashequivalents and certain current investments ecurities. As of March 31, 2020, our total liquid assets f approximately \$1.1 billion, included \$334 million of cash, cashequivalents and investment heldby foreign subsidiaries. Other net working capital amounts of foreign subsidiaries were not significant. In order to supplement as available in the U.S. for general corporate purposes we plan to utilize up to approximately \$13 million of foreign cash annually over the next several years, and anticipate that all of this amount will be provided by debt service payments by foreign affiliates. No further repatriation of foreign earnings currently planned.

Other

In conjunction with the acquisition of Clarion Partners, we committed to provide \$100 million of seed capital to Clarion Partners products.

In January2016, we acquired a minority equity position in Precidian Investments LLC ("Precidian"). Under the terms of the transaction we acquired series B preferred units of Precidian that entitle us to approximately 20% of the voting and economic interests of Precidian, along with customary preferred equity protections. Precidian has executed license arrangement with various financial institutions to use the Active Shares is 16 duct. On January 21, 2020, we provided hotice of our intent to convertour preferred units to 75% of the common equity of Precidian a fully diluted basis, subject to satisfaction for certain closing conditions within the nine months following our notice. We plan to use cashon handfor the related \$25 million payment.

Credit and Liquidity Risk

Cashandcashequivalentdepositisnvolve certaincreditandliquidity risks. We maintainour cashandcashequivalents with a number of high quality financial institutions, funds, and our affiliates and from time to time may have concentrations with one or more of these institutions. The balances with these financial institutions or funds and their credit quality are monitored on an ongoing basis.

Off-Balance SheetArrangements

Off-balancesheetarrangementessdefinedbytheSEC,includecertaincontractuatarrangementesursuantowhichacompany hasanobligation, suchascertaincontingenbbligations, certainguarantecontracts retainedbr contingentinterestin assets transferredo anunconsolidated nitity, certainderivative instruments or material variable interestin unconsolidated nities that provide financing, liquidity, market risk or credit risk support. Disclosure required for any off-balancesheet arrangementes at have, or are reasonably kely to have, a material currentor future effect on our financial condition, results of operations liquidity or capital resources. We generally do not enterinto off-balancesheet arrangementes add 20 of Notesto Consolidated Financial Statementes and Derivatives and Hedging discussed in Notes 1 and 17 of Notesto Consolidated Financial Statements.

CONTRACTUAL AND CONTINGENT OBLIGATIONS

We have contractuabligations to make future payments principally in connection with our long-term debt, non-cancelable lease greement and service agreement See Notes 6; & and 9 of Notes to Consolidated Financial Statement for additional disclosure selated to our commitments.

The following tablesets forth these contractuabbligations (in millions) by fiscal year, and excludes contractuabbligations of CIVs and other consolidated ponsore investment products as we are not responsible or liable for these obligations:

	2021	2022	2023	2024	2025	Thereafter	Total
Contractual Obligations	ا;½	زئ∕2	�			�	ï;½
Long-term borrowings by contract maturity	∕′;ئ \$	\$ �	∑\$ �	\$ �	\$ 250.0	\$ 1,750.0	\$ 2,000.0
Interest on long-term borrowings and credit facility commitment fees	106.1	105.4	105.4	105.4	100.4	1,961.6	2,484.3
Minimum rental and service commitments	135.7	110.5	93.9	77.9	31.2	29.0	478.2
Contributions to pension plah	2.9	2.9	2.9	2.9	4.6	7;ئï	<u>16.2</u>
Total contractual obligations	244.7	218.8	202.2	186.2	386.2	3,740.6	4,978.7
Contingent payment related to busines acquisition	ss �	<u>ان</u> ة ۽	≦ïز½	�	3.7	�	<u>3.7</u>
Total Contractual and Contingent Obligations ⁽³⁾⁽⁴⁾⁽⁵⁾	\$ 244.7	\$ 218.8	\$ 202.2	\$ 186.2	\$ 389.9	\$ 3,740.6	\$ 4,982.4

(1) Represents ontributions to be madeby Martin Currie to its legacypensionplan on an annual basis through May 2024, with a final payment ue November 2024 (using the exchange at eas of March 31, 2020 for the it 2/2 million annual committed contribution amount and the it 2/2 million final paymentamount).

(2) SeeNote21 of Notesto Consolidated Financial Statement for information regarding \$250 million borrowed under our Credit Agreement on April 3, 2020.

(3) The table above does not include approximately \$16.4 ¿½ million capital commitments o investment partnerships in which we are a limited partner which will be outstanding or funded as required, through the end of the commitment periods running through fiscal 2029 or \$100 million of co-investment commitment associated with the Clarion Partners acquisition.

(4) The table above does not include amounts for uncertaintax positions of \$55.5 million (net of the federal benefit for statetax liabilities), because the timing of any related cashout flows cannot be reliably estimated.

(5) The table above does not include redeemable on controlling interests related to minority equity interests in our affiliates and affiliate management equity plans with key employees of Clarion Partners and Clear Bridgetotaling \$597.3 million as of March 31, 2020, because the timing and amount of any related cashout flows cannot be reliably estimated. Redeemable on controlling interests of CIVs of \$117.1 million as of March 31, 2020, arealso excluded from the table above because we have no obligations in relation to the seamounts. Potentiab bligations arising from the ultimate settlement of awards under the affiliate management quity plan with key employees f Royce arealso excluded due to the uncertainty of the timing and amounts ultimately payable. See Note 12 of Notes to Consolidated Financial Statements or additional information regarding affiliate management quity plans.

MARKET RISK

We maintainan enterprise isk managemen program to overse eand coordinaterisk management ctivities of Legg Mason and its subsidiaries. Under the program, certain risk activities are managed at the subsidiary level. The following describes certain aspects of our business that are sensitive to market risk.

Revenuesand Net Income

The majority of our revenue's calculated rom the marketvalue of our AUM. Accordingly, a decline in the value of the underlyingsecurities will cause our AUM, and thus our revenues to decrease In addition, our fixed income and liquidity AUM are subject to the impact of interestrate fluctuations, as rising interestrates may tend to reduce the market value of bondsheld in various mutual fund portfolios or separately manage accounts. In the ordinary course of our business we may also reduce or waive investment management fees, or limit total expenses on certain products or services for particular time periods to manage und expenses or for other reasons and to help retain or increase manage dessets Market conditions, such as low interestrate environments may lead us to take such actions. Performance sees may be earned on certain investmentad visory contracts for exceeding performance benchmarks and strong markets tend to increase these fees. Declines in market values of AUM will result in reduced fee revenues and net income. We generally earnhigh erfees on alternative assets and equity assets than fees chaged for fixed income and liquidity assets. Declines in market values of AUM will have a greate impact on our revenues. In addition, underrevenues haring arrangements other arrangements certain of our affiliates retain different percentages of revenues to cover their costs, including

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compensationandour affiliates operateat different levels of margins. Our net income, profit margin and compensationas a percentage of operating revenues are impacted based on which affiliates generate our revenues and a change in AUM at one subsidiary can have a dramatically different effect on our revenues and earning shan an equal change tanothe subsidiary and a subsidiary can be a subsidiary and a subsidiary can be a subsidiary and a subsidi

Investments

Our investment are comprised of investment securities including seed capital in sponsored nutual funds and investment products. Jimited partnerships jimited liability companies and certain other investment products.

CurrentinvestmentsexcludingCIVs, subject or risk of security price fluctuations are summarized in the table below (in thousands):

		2020	2019
Investment securities, excluding CIVs:	_		
Investments relating to long-term incentive compensation plans	\$	210,891	\$ 211,802
Seed capital investments		108,733	132,515
Equity method investments relating to long-term incentive compensation plans		5,287	11,184
Other current investments		13,983	21,628
Total current investments, excluding CIVs	\$	338,894	\$ 377,129

Currentinvestments \$216.2 million and \$223.0 i i_2 million March i i_2 2020 and 2019, respectively relate to long-term incentive plans which will have offsetting liabilities at the end of the respective vesting periods, but for which the related liabilities may not completely offset at the end of each reporting period due to vesting provisions. Therefore fluctuations in the market value of these trading investments will impact our compensation expense non-operating none (expense) and, dependent on the vesting provisions of the plan, our net income.

Approximately \$108.7 million and \$132.5 million of current investment at Marchï $\frac{1}{2}$ 2012 (2) and 2019, respectively are seed capital investments in sponsored mutual funds and other investment products and vehicles for which fluctuations in market value will impact our non-operating income (expense). Of these amounts, the fluctuations in market value related to approximately \$11.6 million and \$27.2 million of seed capital investments of Marchï $\frac{1}{2}$ 2020 and 2019, respectively have offsetting compensation expense under revenues hare arrangements. The fluctuations in market value related to approximately \$54.5 million and \$89.6 million in seed: apital investment sof Marchï $\frac{1}{2}$ 2020 and 2019, respectively are substantially offset by gains (losses) nmarket hedge and therefored onot materially impact Net Income (Loss) Attributable to Legg Mason, ï $\frac{1}{2}$ 16 million is made to no longer pursue the strategy

Approximately\$6.1million and\$8.4million of othercurrentinvestmentatMarch31,2020and2019,respectivelyrepresent noncontrollinginterestassociated with consolidated educapital investments products Fluctuations in the marketvalue of these investments will not impact Net Income(Loss) Attributable to LeggMason, Inc. However, they may have an impact on non-operating income (expense) with a corresponding offset in Net income attributable to noncontrolling interests. Fluctuations in the market value of \$7.3 million and \$12.8 million of the remaining other current investments in each respective period have offsetting compensation expense underrevenues hare arrangements.

NoncurrentinvestmentsexcludingCIVs, subject or risk of securityprice fluctuations are summarized in the table below (in thousands):

	2020		2019	
Noncurrent investments, excluding CIVs:				
Equity method investments	\$	64,049	\$	62,998
Adjusted cost investments		19,729		12,245
Total noncurrent investments, excluding CIVs	\$	83,778	\$	75,243

Investments curities of CIVs totaled \$118.8 million and \$138.0 i $i 2^{1/2}$ million for the market value of investments of CIVs in excess of our equity investment will not impact Net Income (Loss) Attributable to Legg Mason, i $i 2^{1/2}$ Income it may have an impact on non-operating norme (expense) of CIVs with

acorresponding ffsetin Netincomeattributable to noncontrolling interests As of Marchi $\frac{1}{200}$ and 2019, we held equity investments in the CIVs of \$28.4 and \$43.7 million, respectively As of March31, 2020 and 2019, fluctuations in the market value of approximately \$26.7 million and \$32.0 million, respectively of these equity investments of CIVs are substantially offset by gains (losses) on markethedges and therefore do not materially impact Net Income (Loss) Attributable to Legg Mason, i_{ℓ} / $\frac{1}{2}$ Inductuations in the market value of the remaining \$1.7 million and \$11.7 million in each respective period of equity investments of CIVs will impact our non-operating income (expense).

Valuation of investments describe delow within Critical Accounting Policies under the heading 'Valuation of Financial Instruments." See Notes il 26 do 17 of Notes to Consolidate Financial Statements for further discussion of derivatives.

The following is a summary of the effect of a 10% increaseor decreasen the marketvalues of our financial instruments subject o marketvaluation risks at March 31, 2020 (in thousands):

	Carr	ying Value	Fair Value Assuming a 10% Increase	 Fair Value Assuming a 10% Decrease
Current investments, excluding CIVs:				
Investments relating to long-term incentive compensation plans	\$	210,891	\$ 231,980	\$ 189,802
Seed capital investments		108,733	119,606	97,860
Equity method investments relating to long-term incentive compensation plans		5,287	5,816	4,758
Other investments		13,983	15,381	12,585
Total current investments, excluding CIVs		338,894	372,783	305,005
Investments in CIVs		28,397	31,237	25,557
Non-current investments, excluding CIVs:				
Equity method investments		64,049	70,454	57,644
Adjusted cost investments		19,729	21,702	17,756
Total investments subject to market risk	\$	451,069	\$ 496,176	\$ 405,962

Gainsandlossesrelatedto investmentsin deferred compensation plansare directly offset over the full vesting period by a corresponding djustment o compensation spens and related iability. In addition, investments in proprietary fund products and investments in CIVs totaling approximately \$81.2 million have been economically hedged to limit market risk. As a result, a 10% increase or decrease in the unrealized market value of our financial instruments ubject to market valuation risks in the table above would result in a \$12.3 million increase or decrease in pre-taxe arning sattributable to Legg Mason, Inc. as of March 31, 2020.

In addition, we have entered nto various total returns wap arrangement with respecto certain ETFs that we sponsor with notional amounts totaling \$14.2 million as of March 31, 2020. Under the terms of each total returns wap, we receive the related gains and loss exon the investors underlying share sof the ETFs, however we have executed utures contracts with notional amounts totaling \$6.1 million to limit marketrisk related to the total returns waps. As a result, a 10% increaseor decrease in the underlying share sof the ETFs would result in an additional \$0.8 million increaseor decrease in pre-tax earning sattributable to Legg Mason, Inc. as of March 31, 2020.

Also, asof March 31, 2020 and 2019, cashand cash equivalent included \$594.5 million and \$556.2 million, respectively of money market funds.

Foreign ExchangeSensitivity

We operateprimarily in the U.S., but provide services, earn revenue and incur expense outside the U.S. Accordingly, fluctuations in foreign exchange ates for currencies principally in Australia, the U.K., Brazil, Singapore, Japan and those denominate the the euromay impact our AUM, revenue expenses comprehensive nome and net income. We and certain of our affiliates have entered not forward contracts on manage portion of the impact of fluctuations in foreign exchange rates on their results of operations. We do not expect foreign currency fluctuations to have a material impact on our net income or liquidity.

Inter est Rate Risk

Our exposure o interestrate change is substantially mitigated as our outstanding ong-term debtis at fixed interestrates.

SeeNote 26 of Notesto Consolidated Financial Statement for additional discussion of debt.

Effects of Inflation

Therateof inflation candirectly affect various expenses including employee compensation communication and technology and occupancy which may not be readily recoverable in charges for services provided by us. Further to the extentinflation adversely affects the securities markets, it may impact revenue and recorded intangible asset and good will values. See discussion of "Market Riski; 1/Ret/enue and Net Income (Loss)" and "Critical Accounting Policiesi; 1/mit dagible Assets and Good will" previously discussed.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Accountingpolicies areanintegral part of the preparation of our financial statement in accordance with accounting principles generally accepted in the United States of America. Understanding the sepolicies, therefore is a key factor in understanding our reported results of operations and financial position. See Note to Consolidated Financial Statement for a discussion of our significant accounting policies and other information. Certain critical accounting policies require us to make estimate and assumption that affect the amount of assets jabilities, revenue and expense seported n the financial statements. Therefore actual results or a mount scould differ from estimate and the difference could have a material impact on the consolidated in ancial statements.

We consider the following to be our critical accounting policies that involve significant estimates r judgments.

Consolidation

In the normal course of our business we sponsor and managevarious types of investment products. For our services, we are entitled to receive management besond management besond the receive and management besond the receive and the receives an

Certaininvestmenproductswesponsoandmanagæreconsideredo bevariableinterestentities ("VIEs") (furtherdescribed below) while others are considered o bevoting rights entities (i_{2} / $_{2}$ VREs i_{2} / i_{2} Ctto traditional consolidation concepts based on ownership rights. We may fund the initial cashinvestment n certain VRE investment products ogenerate an investment performance rack record in order to attract third-party investors in the product. Our initial investment in a new product typically represented 00% of the ownership in that product. As further discussed below, these i_{2} / $_{2}$ second ital investments i_{2} / $_{2}$ second ital investments i_{2} are consolidated as long as we maintain a controlling financial interest in the product, but they are not designated as CIVs unless the investments longer term.

A VIE is an entity which doesnot have adequate quity to finance its activities without additional subordinated in ancial support or the equity investors as a group, do not have the normal characteristic of equity investors or a potential controlling financial interest. We must consolidate any VIE for which we are deemed o be the primary beneficiary

Under consolidation accounting guidance if limited partnersor similar equity holders a sponsored hvestment vehicle structure das a limited partnership a similar entity do not have either substantive investor rights to replace the manager (kick-outrights) or substantive articipation rights over the general partner the entities are VIEs. As a sponsored manager of an investment vehicle, we may be deemed a decision maker under the accounting guidance. If the fees paid to a decision maker are market-based such fees are not considered variable interests in a VIE. Market-based decision are both customary and commensurate with the level of effort required for the service sprovided. Additionally, if employee interests a sponsore investment we hicle are not included in the variable interests assessment are not included in the primary beneficiary determination.

A decisionmakeris deemedo beaprimarybeneficiaryof a VIE if it hasthepowerto directactivities that most significantly impact the economic performance of the VIE and the obligation to absorblosses or receive benefits from variable interests that could be significant to the VIE. In determining whether we are the primary beneficiary of a VIE, we consider both qualitative and quantitative factors such as the voting rights of the equity holders, guarantees and implied relationships of a fee paid to a decision maker is not market-based will be included in the primary beneficiary determination.

Wehavænterednto varioustotal returnswaparrangementwith financial intermediaries with respecto certainLeggMason sponsore ETFs. Under the terms of the total returnswaps, we absorball of the related gains and losses on the underlying ETF investments of these financial intermediaries and therefore have variable interests in the related funds and, if significant, may be deemed the primary beneficiary Accordingly, we consolidate ETF's with significant open total returns wap arrangements.

SeeNotes1 and 20 of Notesto ConsolidatedFinancialStatements or additional discussion of CIVs and other VIEs.

RevenueRecognition

EffectiveApril 1, 2018, we adopted update accounting guidance on revenue recognition on a modified retrospective basis for any contracts that were not complete as of the April 1, 2018 adoption date. The updated guidance provides a single, comprehensive revenue recognition model for all contracts with customers, improves comparability and removes inconsistencies revenue recognition practice across entities, industries jurisdictions, and capital markets. The guidance also specifies the accounting for certain costs to obtain or fulfill a contract with a customerand revises the criteria for determining f an entity is acting as principal or agent in certain arrangements. The adoption of the updated guidance did not result in significant changes o our prior revenue ecognition practices exceptor the timing of the recognition of certain performance and incentive fees, the capitalization and amortization of certains ales commissions for separate accounts and the net presentation of certainfund expensere imbursements which were previous ly presented on a gross basis. Each of these changes o our previous revenue ecognition practices further discussed below.

We primarily earnrevenues y providing investment management ervices and distribution and shareholdes ervices or our customers which are generally investment funds or the underlying investors in separately managed accounts. As further discussed below, revenues alculated based on the value of the investment undermanagement etermine the transaction price recognized when obligations under the terms of contracts with customers are satisfied, which is generally over time as the services are rendered.

Valuation of AUM

We have responsibility for the valuation of AUM, substantially all of which is based on observablemarket data from independen pricing services fund accounting gents custodians r brokers. The underlying securities within the portfolios we manage which are not reflected within our consolidated in ancial statements are generally valued as follows: (i) i 21/2 with respect to securities for which market quotations are readily available, the market value of such securities, and (ii) i 21/2 with respect o other securities and assets fair value as determined n good faith.

As of March 31, 2020, equity, fixed income, alternative and liquidity AUM values aggregate \$161 billion, \$420 billion, \$75 billion, and \$75 billion, respectively As the majority of our AUM is valued by independen pricing services based observable market prices or inputs, we believe market risk is the most significant risk underlying the value of our AUM. Economice vents and financial market turmoil have increased market price volatility; however as further discussed below, the valuation of the vast majority of the securities held by our funds and in separate accounts continues to be derived from readily available market price quotations. As of March 31, 2020, approximately 9% of total AUM is valued based on unobservable inputs, the majority of which is related to our real estate funds discussed below.

For most of our mutual funds and other pooled products, their boards of directors or similar bodies are responsible or establishing policies and procedure selated to the pricing of securities. Each board of directors generally delegates the execution of the various functions related to pricing to a fund valuation committee which, in turn, may rely on information from various parties in pricing securities uch as independent pricing services the fund accounting agent, the fund manager broker dealers and others (or a combination thereof). The funds have controls reasonably designed o ensure that the prices assigned o securities they hold are accurate Management has established policies to ensure consistency in the application of revenue ecognition.

As manageandadvisorfor separataccountswearegenerallyresponsible for the pricing of securities held in client accounts (or may share this responsibility with others) and have established of the pricing of securities held in client accounts discussed bove for mutual funds that are reasonable signed on the sum consistency in the application for the pricing of separataccount with the pricing of separataccount set of the pricing of securities and the pricing of set of the pricing of securities and the set of the pricing of set of the pricing of

Valuation processes for AUM are dependent the nature of the assets and any contractual provisions with our clients. Equity securities undermanagement br which market quotations are available are usually valued at the last reported sales price or official closing price on the primary market or exchange on which they trade. Debt securities undermanagement are usually valued at bid, or the mean between the last quote doid and asked prices, provided by independend pricing services that are based on transaction in debtobligations quotation from bond dealers market transaction in comparable ecurities and various other relationship between securities. Short-term debtobligations are generally valued at amortize dost, which approximate fair value. The majority of our AUM is valued based on data from third parties such as independend pricing services fund accounting agents custodian and brokers. This varies slightly from time to time based upon the underlying composition of the asset lass (equity, fixed income, alternative and liquidity) as well as the actual underlying securities in the portfolio within each asset class. Regardles of the valuation processor pricing source, we have established on trols reasonable designed o assess the reasonable next the prices provided.

Where market prices are not readily available, or are determined hot to reflect fair value, value may be determined in accordancevith established aluation procedure basedon, amongother things, unobservable puts. The most significant portion of our AUM for which the fair value is determine dased on unobservable puts are certain of our real estate unds. The values of realestatencestment are prepared by a consideration to the income cost and sales comparison approaches of estimatingpropertyvalue. The income approachestimates an incomest reamfor a property and discounts this income plus a reversion (presume sale) into a present value at a risk adjusted ate. Yield rates and growth assumption stillized in this approachare derived from market transaction as well as other financial and industry data. The discount rate and the exit capitalization rate are significant inputs to these valuations. These rates are based on the location, type and nature of eachproperty and current and anticipated market conditions. The cost approachest imates the replacement cost of the building lessphysical depreciation plus the land value. The sale comparison approach compare secont transaction so the appraise property Adjustments are made for dissimilarities which typically provide a range of value. Many factors are also considered n the determination of fair value including, but not limited to, the operatingcashflows and financial performance f the properties property types and geographic to a strength the physical condition of the asset prevailing market capitalizationrates, prevailing market discountrates, general economic conditions, economic conditions specific to the marketin which the assets are located, and any specific rights or terms associated with the investment. Because of the inherentuncertainties f valuation, the values may materially differ from the values that would be determined by negotiations heldbetweerparties in a sale transaction.

InvestmentAdvisoryFees

We earninvestmentadvisoryfeeson assets in separatelynanage accounts investmentunds, and other products managed for our clients. Generally investment management ervices area single performance bligation, as they include a series of distinct services that are substantially the same and are transferred to the customerover time using the same time-based measure for progress. Investment management ervices are satisfied over time as the customers imultaneously eceives and consume the benefits as the advisory services are performed.

SeparateAccountandFundsAdvisoryFees

Separataccountandfundsadvisoryfeesarevariableconsiderationwhich is primarily based on predetermine percentages of the daily, monthly or quarterly averagemark etvalue of the AUM, as defined in the investment management greements. The averagemark etvalue of AUM is subject to change based on fluctuations and volatility in financial markets and assuch, separataccount and funds advisoryfees are constrained until the end of the monthor quarter when the actual averagemark et value of the AUM is known and a significant revenuer eversals no longer probable. Therefore separateccount and fund advisory fees are included in the transaction price and allocated to the investment management service sperformance obligation at the end of each monthly or quarterly reporting period, as specified in the investment management contract. Payment for service sunder investment management contracts due once the variable considerations allocated to the transaction price, and generally within 30 days. Recognition of separateccount and funds advisoryfee revenue under the updated guidance is consistent with our prior revenue cognition process.

PerformancendIncentiveFees

Performancendincentivefeesarevariableconsideration that may be earned on certain investment management on tracts for exceeding performance benchmarks on a relative or absolute basis or for exceeding contractual return thresholds. Performance and incentive feesare estimated at the inception of a contract however a range of outcomes is possibled ue to factor souts ide the control of the investment manager particularly market conditions. Performance and incentive feesare therefore excluded from the transaction price until it becomes probable that a significant reversal in the cumulative amount of revenue ecognized will not occur. A portion of performance and incentive feesare earned based on 12-month performance periods that endin differing quarters during the year, with a portion also based on quarterly performance periods. We also earn performance and incentive fees on alternative and certain other products that lock at the earlier of the investor is 1/2 termination date or the liquidation of the fund or contract, in multiple-year intervals, or specific events, such as the sale of assets For certain of the seproduct sperformance and incentive fees may be recognized serve nue arlier under the updated guidance than underprior revenue ecognizion practices which deferred ecognition until all contingencies were resolved. Any such performance and incentive fees recognized wire to the resolution of all contingencies acontract asset for current assets or Other non-current assets in the Consolidate Balance Sheet.

FeeWaiversandFundExpenseReimbursements

We may waive certainfees for investors or may reimburs our investment funds for certain operating expenses when such expenses xceeds certain threshold. Feewaivers continue to be reported as a reduction in advisory feerevenue under the updated guidance. Under prior accounting guidance fund expense eimburs ements excess frecognized evenue were recorded as Other expenses in the Consolidated Statements fincome. Under the updated accounting guidance these fund expense eimburs ements hat exceed the recognized evenue represents change in the transaction price and are therefore reported as a reduction of Investmentadvisory fees - Funds in the Consolidated Statements fincome.

Distribution and ServiceFeesRevenueand Expense

Distribution and service fees are feese arnedrom funds to reimburs the distributor for the costs of marketing and selling fund share and are generally determined as a percentage f client assets Reported mount also include feese arned rom providing client or shareholdes ervicing, including record keepingor administrative ervices oproprietary funds, and nondiscretionaryadvisoryservices for assets under advisement. Distribution and service feese arnection company-sponsored investmenfundsarereportedasrevenue.Distributionserviceandmarketingserviceareconsideredasingleperformance obligationasthesuccess f selling the underlying share is highly dependent ponthesale and marketing efforts. Ongoing shareholdeservicing is a separateerformancebligation as the seservices are not highly interrelate and interdependent on the sale of the shares. Fee same delated to distribution and shareholdes erving are considered variable consideration becaust they are calculated base don the averagemarket value of the fund. The averagemarket value of the fund is subject to changebasecon fluctuations and volatility in financial markets and assuch, distribution and shareholdes ervice feesare generallyconstrained until the end of the monthor guarter when the actual market value of the fund is known, and the related revenues no longersubject to a significant reversal. Therefore distribution and service fees are generally included in the transaction price at the end of each monthly or quarterly reporting period and a reallocated othetwo performance bligations basedon the amountspecified in each agreement. While distribution services are largely satisfied at the inception of an investment the ultimate amount sof revenue are subject to the variable consideration constraint. Accordingly, a portion of distributionandservicerevenuewill berecognized periodssubsequent the satisfaction of the performance bligation.

Certainfund shareclasses only charge for distributions ervice at the inception of the investment base don a fixed percentage of the shareprice. This fixed price is allocated to the performance bligation, which is substantially satisfied at the time of the initial investment.

Recognition of distribution and service feerevenue under the updated juidances consistent with our prior revenue ecognition process.

When we enterinto arrangements with broker-dealers or other third parties to sell or market proprietary fund shares, distribution and servicing expenses accrue for the amount wed to third parties, including finders' fees and referral fees paid to unafiliated broker-dealers or introducing parties and is recorded as Distribution and servicing expense in the Consolidate Statements fince. Distribution and servicing expense also includes payments or third parties for certain shareholde administrative ervices and sub-advisor fees paid to unafiliated assetmanagers.

ContractCostsand DeferredSalesCommissions

We incur ordinary coststo obtain investment management on tracts and for service provided to customers in accordance with investment management greements. These costs include commission paid to whole sale semployee and third-party broker dealers and administration and placement ees. Depending on the type of service provided, these dees may be paid at the time the contract is obtained or on an ongoing basis. Under the update duidance coststo obtain a contract should be capitalized of the costs are incremental and would not have been incurred if the contract had not be enobtained and costs to fulfill the contract should be capitalized of they related irectly to a contract, the costs will generate or enhance esources of the entity that will be used in satisfying performance bligations in the future, and the costs are expected obserecovered. Consistent with prior accounting procedures and broker dealers or sales of fund share are expensed as incurred, as the secost swould be incurred regardles of the investor. However, commission paid to employee and retail wholes alers in connection with the sale of retail separate accounts are coverable through the management because do therefore capitalized of the specific rates and are recoverable through the management becaused on the transfer of services on which the assets elate, which average sour years.

Commissions we pay to financial intermediaries in connection with sales of certain classes of company-sponsored utual funds are capitalized as deferred sales commissions. The asset is a mortized over periods not exceeding ix years, which represent the periods during which commissions are generally recovered from distribution and service feerevenues and from contingent deferred sales chages ("CDSC") received from shareholders of those funds upon redemption of their shares. CDSC considerations generally ariable and is based on the timing of when investors redeen their investment. Therefore, the variable considerations included in the transaction price once the investors redeen their shares and is satisfied at a point in time. CDSC receipts are recorded as distribution and service feere venue when received and a reduction of the unamortized balance of deferred sales commissions with a corresponding xpense Under the updated accounting uidance Legg Mason haselected to expenses ales commissions related to certain share classes with amortization periods of one year or less as incurred.

Valuation of Financial Instruments

Substantiallyall financialinstrumentarereflected in the financial statementat fair value or amount shat approximate air value. Equity investments investments curitie and derivative assets and liabilities included in the Consolidate Balance Sheets include forms of financial instruments. Unrealized ains and losses related to the set inancial instruments are reflected in Net Income (Loss) or Other Comprehensive ncome (Loss), depending on the underlying purpose of the instrument. Effective April 1, 2018, we adopted update accounting uidance on a prospective basis which require equity investments to be measured tfair value, with changes ecognized nearnings. This guidance loss of apply to investment accounted for under the equity method. The adoption of the updated guidance did not have a material impact on our consolidated financial statements.

For equity investments where we do not control the investee and where we are not the primary beneficiary of a VIE, but can exert significant influence over the financial and operating policies of the investee, we follow the equity method of accounting. The evaluation of whethere exert control or significant influence over the financial and operating policies of an investee equires significant judgment base don the facts and circumstance surrounding each individual investment. Factors considered n these evaluations may include investor voting or other rights, any influence we may have on the governing board of the investee the legal rights of other investors in the entity pursuant to the fund's operating documents and the relationship between us and other investors in the entity. Our equity method investee shat are investment companies record their underlying investments at fair value. Therefore under the equity method of accounting our share of the investee's underlying net income or loss predominantly represent fair value adjustments in the investment sheld by the equity method investee. Our share of the investee's net income or loss is based on the most current information available and is recorded as a net gain (loss) on investments within non-operating income (expense). We evaluate our equity method investments fair value, and the decline in fair value is other than temporary

For investments curities we value equity and fixed incomes curities using closing market prices for listed instruments or broker or dealer price quotations, when available. Fixed incomes curities may also be valued using valuation models and estimates based on spreads o actively traded benchmark debtins truments with readily available market prices.

For investments in illiquid or privately-helds ecurities for which market prices or quotations are not readily available, the determination of fair value requires us to estimate the value of the securities using a variety of methods and resources, including the most current available financial information for the investment and the industry As of March 31, 2020 and 2019, we owned \$64.0 million and \$63.0 million, respectively of investments in partnership and limited liability companies which we reaccounted or under the equity method and we reincluded in Othermon current assets in the Consolidate Balance Sheets and \$5.3 million and \$11.2 million, respectively of equity method investments that are included in Investment securities on the Consolidate Balance Sheets Of these mounts \$43.1 million and \$42.1 million, respectively we revalued based on our assumption and estimate and unobservable inputs. The remaind estimate as etvalue ("NAV") as a practical expedient as further discusse below.

The updatedaccountingguidanceadoptedas of April 1, 2018, provides entities the option to elect to measure quity investments hat do not have readily determinable air values and do not qualify for the NAV practical expedients "adjusted cost." Under this adjusted cost method, investments are initially recorded at cost, and subsequently adjusted (increased) when there is an observable ransaction involving the same investments or similar investments from the same issuer Adjusted cost investment carrying values are also reviewed and adjusted for impairment, if any. As of March 31, 2020 and 2019, approximately \$19.7 million and \$12.2 million, respectively of investments in partnerships and limited liability companies were accounted or using the adjusted cost method.

The accountingguidance for fair value measurements and disclosures defines fair value and establishes framework for measuring air value. The accountingguidance defines fair value as the exchange rice that would be received for an asset or paid to transfera liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measuremend ate. A fair value measurement hould reflect all of the assumptions that market participants would use in pricing the asset or liability, including assumptions bott the risk inherent in a particular valuation technique the effect of a restriction on the sale or use of an asset and the risk of non-performance.

The accountingguidance for fair value measurement establishes a hierarchythat prioritizes the inputs for valuation technique sused to measure fair value. The fair value hierarchygives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable puts.

Ourfinancialinstrumentsmeasureandreportedat fair valueareclassified and disclosed none of the following categories:

Levelï ¿1/21Fij/and/alinstruments or which prices are quoted in active markets, which, for us, include investments in publicly traded mutual funds with quoted market prices and equities listed in active markets.

Levelï ¿1/22Fij/käigó/alinstrumentsfor which prices are quoted for similar assets and liabilities in active markets; prices are quoted for identicalor similar assets in inactive markets or prices are based on observable inputs, other than quoted prices, such as models or other valuation methodologies. For us, this category includes fixed income securities certain proprietary fund and other investment products and certain long-term debt.

Levelï¿1/23Fijt/äig//alinstrumentsfor which valuesare basedon unobservablenputs, including thosefor which there is little or no marketactivity. This category includes investments in partnerships jmited liability companies, private equity funds, and real estate unds. This category also includes certain proprietary fund and other investment products with redemption restrictions and contingent consideration liabilities, if any.

The valuation of an assetor liability may involve inputs from more than one level of the hierarchy. The level in the fair value hierarchy within which a fair value measurementh its entirety falls is determine the dase don the lowest level input that is significant to the fair value measurementh its entirety.

Certain proprietary fund products and certain investments held by CIVs are valued at NAV determined by the fund administrator These funds are typically invested in exchange raded investments with observable market prices. Their valuations may be classified as Level 1, Level 2, Level 3, or NAV practical expedient based on whether the fund is exchange traded, the frequency of the related NAV determinations and the impact of redemption restrictions. For investments illiquid and privately-held securities (private equity funds, real estate funds and investments partnerships) or which market prices or quotations may not be readily available, including certain investments held by CIVs, management nust estimate the value of the securities using a variety of methods and resources including the most current available financial information

for the investment and the industry to which it applies in order to determine fair value. These valuation processes for illiquid and privately helds ecurities in herently requirem an agement is dgment and are therefore classified in Leveli 21/23.

 $Future \\ \texttt{scontract} \\ \texttt{srevalued} \\ \texttt{at the last settlement} \\ \texttt{price at the endof eachday on the exchange ponwhich they are traded and are classified \\ \texttt{as Level} \\ \texttt{i} \\ \texttt{i$

As a practical expedient, we rely on the NAVs of certain investments in partnership and limited liability companies as their fair value. The NAVs that have been provided by investees are derived from the fair values of the underlying investments as of the reporting date. Investments for which the fair value is measured sing NAV as a practical expedient are not required to be categorized within the fair value hier archy

Our ConsolidatedBalanceSheetas of Marchï ¿ 1/2020, includes approximately 1% of total assets (9% of financial assets measured tfair value) and less than 1% of total liabilities (19% of financial liabilities measured tfair value) that meet the definition of Levelï ¿ 1/23.

Any transfersbetweercategoriesaremeasuredat the beginningof the period.

 $See Note 3 \, and 20 \, of \, Notes to \, Consolidate dF in ancial Statement {\it $\it s} or \, additional information.$

Intangible Assetsand Goodwill Balancesasof Marchï; 1/20120, areasfollows (in thousands):

Amortizable intangible asset management contracts and other	\$ 109,211
Indefinite-life intangible assets	3,198,388
Trade names	48,091
Goodwill	1,847,766
Ϊ¿1⁄2	\$ 5,203,456

Our identifiable intangible assets consist primarily of assetmanagement on tracts contracts o manage proprietary mutual funds, hedgefunds or funds-of-hedgefunds, and tradenames resulting from acquisitions. Assetmanagement on tracts are amortizable intangible assets hat are capitalized tacquisition and amortized verthe expected life of the contract. Contracts to manage proprietary mutual funds, hedgefunds or funds-of-hedgefunds or funds-of-hedgefunds are indefinite-life intangible assets because we assume that there is no foresee able init on the contract period due to the likelihood of continued renewalat little or no cost. Similarly, trade names are considered ndefinite-life intangible assets because they are expected to generate cashflows indefinitely.

In allocatingthepurchasprice of anacquisition to intangible assets we must determine the fair value of the assets acquired. We determine air values of intangible assets acquired based upon projected uture cashflows, which take into consideration estimates and assumption including profit margins, growth and/or attrition rates for acquired contracts based upon historical experience and other factors, estimated contract lives, discount rates, projected net client flows and market performance. The determination of estimated contract lives requires udgment based upon historical client turn over and attrition rates and the probability that contracts with termination provisions will be renewed. The discount rate employeds a weighted - average cost of capital that takes into considerations premium representing the degree of risk inherent in the asset as more fully described below.

Goodwill represent the residual amount of acquisition cost in excess of identified tangible and intangible assets and assumed liabilities.

Given the relative significance of our intangible assets and good will to our consolidate dinancial statements on a quarterly basis we consider if triggering events have occurred that may indicate a significant change in fair values. Triggering events may include significant adverse changes in our business or the legal or regulatory environment, loss of key personnel, significant business dispositions or other events including changes in economic arrangements with our affiliates that will impact future operating results. If a triggering event has occurred, we perform quantitative tests, which include critical reviews of all significant assumptions to determine if any intangible assets or good will are impaired. If we have not

qualitatively concluded that it is more likely than not that the respective fair values exceed the related carrying values, we perform these tests for indefinite-life intangible assets and good will annually

 $Details of our intangible asset {\tt m} and good will and the related impairment tests follow.$

We performed our annual impairment testing of good will and indefinite-life intangible assets as of October 31, 2019, and determined that there was no impairment in the value of these assets. We also reviewed more critical valuation inputs as of December 81, 2019 to determine that no further quantitative analyses we rewarranted. In addition, we performed our periodic impairment review of amortizable intangible assets as of March 31, 2020.

Given the level of marketdisruption associated with COVID-19, we assessed whether a triggering event had occurred for each of our identifiable indefinite-life intangible assets and good will as of March 31, 2020. Certain indefinite-life intangible assets were determined on have had triggering events due to a combination of significant market volatility and uncertainty ensuing from the COVID-19 pandemic and limited excess fair value over the related carrying values as of our most recent quantitative analyses of October 31, 2019. We updated he quantitative analyses for the sendefinite-life intangible assets as of March 31, 2020 and determined that the rewas no impairment in the value of these assets as further discussed below.

Amortizable IntangibleAssets

Intangibleassets ubject o amortization are considered or impairmentat each reporting periodusing an undiscounted ash flow analysis. Significant assumption as edin assessing here coverability of management on tractint angible assets include projected: ashflows generated by the contracts and the remaining economidives of the contracts. Projected: ashflows are based on feesgenerated by current AUM for the applicable contracts. Contracts are generally assumed to turn over evenly throughout the life of the intangible asset. The remaining life of the asset is based upon factors such as average client retention and client turn over rates. If the amortization periods are no longer appropriate the expected ives are adjusted and the impact on the fair value is assessed actual cashflows in any one period must be considered in conjunction with other assumption shat impact projected: ashflows.

Therewereno impairments in the values of amortizable intangible assets ecognized uring the yearended March 31, 2020, asour estimates of the related future cashflows exceeded the asset carrying values.

As of March 31, 2020, the EnTrust Global separate account contracts amortizable assethet carrying value of \$33 million represented pproximately 80% of our total amortizable intangible assetmanagement on tracts and other aggregate arrying value. The cumulative undiscounted ashflows related to this asset acceeded the carrying value by approximately 8% as of March 31, 2020. Despite the excess of fair value over the related carrying value, future decreases our cashflow projections, resulting from actual results or changes in assumption due to client attrition and the related reduction in revenues investment performance market conditions, or other factors, may result in impairment of this asset. The recan be no assurance that continue client attrition, assebut flows, market uncertainty or other factors, will not produce an additional impairment in this asset.

As of March 31, 2020, the Clarion Partnersseparat@ccountcontractsamortizabl@ssethetcarryingvalueof \$60 million representedpproximately55% of our total amortizablentangibleassetmanagementcontractsandotheraggregat@arrying value. As of March 31, 2020, the cumulative undiscounted ashflows related to this separat@ccountcontractsamortizable asset asset accountcontractsamortizable asset and the carrying value by a material amount.

The estimated emaining useful lives of a mortizable intangible assets urrently range from one to eight " i 2 1/2 y whith a weighted-average dife of approximately 5.4 years.

Indefinite-Life Intangible Assets

For intangible assets with lives that are indeterminable or indefinite, fair value is determined from a market participant's perspective based on projected discounted as flows, taking into account the values market participants would pay in a taxable transaction of acquire therespective assets. We have two primary types of indefinite-life intangible assets proprietary fund contracts and, to a less extent, tradenames.

We determine the fair value of our intangible asset based upon discounter projected: as flows, which take into consideration estimates future fees, profit margins, growth rates, taxes, and discountrates. The determination of the fair values of our

indefinite-life intangibleassets highly dependent these stimates and changes in these inputs could result in a material impairment of the related carrying values. An assets determined to be impaired if the current fair value is less than the recorded carrying value of the asset. If an assets impaired, the difference between the current fair value and the carrying value of the asset reflected on the financial statements recognized as an operating expense in the period in which the impairments determined o exist.

Contracts that are managed and operated as a single unit, such as contracts within the same family of funds, are reviewed in aggregate and are considered interchangeable investors can transfer betweer funds with limited restrictions. Similarly, cashflows generated by new funds added to the fund group are included when determining the fair value of the intangible asset.

Projected:ashflows arebased:n annualized:ashflows for the applicable:contractsprojected forward 40�yeass,uming annual:ashflow growthfrom estimated:tclientflows and projected:narketperformance.To estimated:projected:ash flows, projected;rowthratesby affiliate areused:to project:AUM. Cashflow growthrates:conside:estimatesof both AUM flows and marketexpectationsby assetclass(equity, fixed income,alternative,and liquidity) and by investment managebased:pon,among:thethings,historicalexperienc@indexpectationsf futuremarketandinvestmenperformance from internal and externalsources. Our marketgrowth assumption for our most recentannualimpairment testing were 4.5% for equity, 2% for fixed income,3% for alternative,and0% for liquidity products,with a generalassumption for 2% organicgrowth for all products,subject exceptionsbased:n recenttrendsfor organicgrowth (contraction), generallyin yearsonethroughfive.

The startingpoint for these assumption is our corporate planning process that includes three-yea AUM projections from the management of each operating affiliate that consider the specific business circumstances of each affiliate, with assumptions for certain affiliates adjusted as appropriate to reflect a market participant view. Beyond year three, the estimates move towards our general organic growth assumption of 2%, as appropriate for each affiliate and asset class, through year 20. The resulting cashflow growth rate for year 20 is held constant and used to further project cashflows through year 40. Based on projected AUM by affiliate and asset class, affiliate advisory fee rates are applied to determine projected revenues. The domestion utual fund contracts projected revenues are applied to a weighted -average argin for the applicable affiliates that manage the AUM. Margins are based on arrangements urrently in place at each affiliate. Projected perating income is further reduced by an appropriate ax rate to calculate the projected cashflows.

Webelieveourgrowthassumptionarereasonablgivenourconsideration fmultiple inputs, including internal and external sources althoughour assumption are subject to change base on fluctuations in our actual results and market conditions. Our assumption are also subject to change due to, amongother factors, poor investment performance on more of our operating affiliates, the withdrawal of AUM by clients, change in busines climate, adverse egulatory actions, or loss of key personnel. We consider these risks in the development our growth assumption and discount rates, discussed further below. Further actual cashflows in any one period must be considered in conjunction with other assumption shat impact projected cashflows.

Our processincludescomparison of actual results to prior growth projections. However, differences between actual results and our prior projections are not necessarily indicative of a need to reasses our estimates given that our discounted projected cashflow analyses include projections well beyond three years and variances in the near years may be offset in subsequent years fair value assessments repoint-in-time, and the consistency of a fair value assessment with other indicators of value that reflect expectations of market participants at that point-in-time is critical evidence of the soundness of the estimate of value. In subsequent periods, we consider the differences in actual results from our prior projections in considering the reasonable ness of the growth assumptions are our current impairment testing.

Discountrates are based on appropriately weighted estimated costs of debt and equity capital using a market participant perspective. We estimate the cost of debt based on published debt rates. We estimate the cost of equity capital based on the Capital Asset Pricing Model, which considers the risk-free interestrate, peergroup betas, and company and equity risk premiums. The equity risk is further adjusted o consider the relativerisk associated with each of our indefinite-life intangible asset and our reporting unit. The discount rates are also calibrated based on an assessment of relevant market values.

Consistent with standard valuation practices for taxable transactions the projected biscounted as how analysis also factors in a tax benefit value, as appropriate. This tax benefit represents the discounted as savings a third party that purchase dan

assets a given valuation date would receive from future tax deductions for the amortization of the purchas ϕ rice over 15 years.

The domesticmutual fund contracts acquired in the Citigroup Asset Managemen (i¿½CAMtight) action \$2.1 billion, account for approximately 55% of our indefinite-life intangible assets As of October 31, 2019, approximately \$163 billion of AUM, primarily managed by Western Asset and Clear Bridge, was associated with this asset with approximately 88% in equity AUM, 48% in fixed income AUM and 14% in liquidity AUM. Previously disclosed uncertainties egarding market conditions and asset flows and risks related to potential regulatory changes in the liquidity business are reflected in our projected biscounted ashflow analyses Despiterelevant recent market activity, given the level of excess of fair value over the related carrying value in our most recent impairment testing, the domestion utual fund contracts asset was not deemed to have had a triggering event as of March 31, 2020.

As of October31, 2019, the Clarion Partnersfund management contracts asset \$505 million accounted or approximately 16% of our indefinite-life intangible assets. Based on our projected discounted cashflow analyses the related fair value exceeded to carrying value by a material amount. Despiterelevant recent market activity, given the level of excess of fair value over the related carrying value in our most recent impairment testing, the Clarion Partnersfund management on tracts asset was not deemed o have had a triggering event as of March 31, 2020.

As of October31, 2019, the combinedEnTrust Global fund managementcontractsassetof \$127 million accountedor approximately4% of our indefinite-life intangible assets and is supported by the combine EnTrust Global fund management business. Basedon our projected discounted ashflow analyses the related fair value exceeded ts carrying value by 10% asof October31, 2019. For our impairment test, baser evenues elated to EnTrust Global fund management on tracts were assumed to have long-termannual growth rates averaging 6%. Projected heary earcashflows reflected AUM outflows in years one and two, and trend to modes AUM inflows of 2% by year five. The projected cashflows from the EnTrust Global fund management on tracts were discounted at 15.5%.

Given recentuncertairmarkets and the relatively limited excess air value as of our most recentimpairment test, the EnTrust Global fund management on tracts asset was deemed o have had a triggering event as of March 31, 2020. We expanded our most recent analysis of this asset to consider several different outcomes on a probability-weighted basis, with each scenario reflecting reduced evenue growth rates and lower operating margins, particularly in the near term. Based on this probability-weighted have basis the related fair value exceede its carrying value by approximately 1% as of March 31, 2020.

As of Octobe & 1,2019, the RARE Infrastructure undmanagement on tracts asset \$55 million accounted or approximately 2% of our indefinite-life intangible assets. Based on our projected discounted ashflow analyses the related fair value exceeded to a material amount. For our impairment test, cashflows from the RARE Infrastructure und management on tracts were assumed on have long-termannual growth rates averaging 10%. Given current experience, projected cashflows reflect reduced AUM inflows throughout the projection period and modes performance for the projected cashflows from the RARE Infrastructure fund management on tracts were discounted at 15.0%. Despite relevant recent market activity, given the level of the excess of fair value over the related carrying value in our most recent impairment testing, the RARE Infrastructure fund management on tracts asset was not deemed on have had a triggering event as of March 31, 2020.

Futuredecrease in our cashflow projections or increase in the discountrate, resulting from actual results, or change in assumption sesulting from flow and AUM levels, investment performance market conditions, or other factors, may result in impairment of this asset. There can be no assurance that asset flows, market uncertainty or other factors will not produce an impairment in this asset, which could be significant.

As of Octobe/31,2019, tradenames accounted or 1% of indefinite-life intangible assets and are primarily related to Clarion Partners and EnTrust Global, which had carrying values of \$23 million and \$10 million, respectively. We tested these intangible assets using a relief from royalty approach and discounted ashflow methods imilar to those described bove for indefinite-life contracts. As of Octobe/31,2019, the resulting fair value of the EnTrust Global tradename exceeded he carrying values of our other tradename assets ignificantly exceeded he related carrying amounts.

Given recentuncertairmarkets and the relatively limited excessair value as of our most recentimpairment test, the En Trust Global tradename asset was deemed o have had a triggering event and was tested using the relief from royalty approach

asof March 31, 2020. The resulting fair value of the EnTrust Global tradename asset exceeded the carrying value of \$10 million by approximately 3%.

Goodwill

Goodwill is evaluated thereporting unit level and is considered or impairment when the carrying amount of the reporting unit exceeds the implied fair value of the reporting unit. In estimating the implied fair value of the reporting unit, we use valuation techniques based on discounted projected cashflows and EBITDA multiples, similar to techniques employed in analyzing the purchase price of an acquisition. We continue to be managed as one Global Asset Management operating segment. Internal management porting of discrete financial information regularly received by the chief operating decision maker our Chief ExecutiveOfficer, is at the consolidated Global Asset Management business evel. As a result, good will is recorded and evaluated to one Global Asset Management eporting unit consists of the operating businesses of our asset management effiliates and our centralized global distribution operations. In our impairment testing process all consolidated sets except for certaint ax benefits and liabilities areallocated o our single Global Asset Management eporting unit. Similarly, the project observations the reporting unit include our holding company corporate costs and overhead including interest expense and costs associated with executive management, finance, human resources legal and compliance internal audit and other central corporate functions.

Goodwill principally originated from the acquisitions of CAM, Permal Royce, Martin Currie, RARE Infrastructure Clarion Partners and EnTrust. The value of the reporting unit is based n part, on projected consolidated het cashflows, including all cashflows of assetsmanaged n our mutual funds, closed-end unds and other proprietary funds, in addition to separate account assets of our managers.

Significant assumption assed in assessing the implied fair value of the reporting unit under the discounted ashflow method are consistent with the methodology discussed bove for indefinite-life intangible assets. Also, at the reporting unit level, future corporate costs are estimated and consolidated with the projected operating results of all our affiliates.

Actual cashflows in any one period may vary from the projected cashflows without resulting in an impairment chage because variance in any one period must be considered in conjunction with other assumption shat impact projected cash flows.

Discountrates are based on appropriately weighted estimated costs of debt using a market participant perspective also consistent with the methodology discussed bove for indefinite-life intangible assets.

We alsoperform market-based aluation of our reportingunit value, which applies an average of EBITDA multiples paid in change of control transactions or peer companies our EBITDA. The results of our two estimates of value for the reportingunit (the discounted ashflow and EBITDA multiple analyses) are compared and significant differences if any, are assessed determine the reasonable ness each value and whether any adjustment o either result is warranted. Once the values are accepted the appropriately weighted average of the two reporting unit valuations (the discounted ashflow and EBITDA multiple analyses) is used as the implied fair value of our Global Asset Management eporting unit, which at October 31, 2019, exceeded the carrying value by 22%. Considering the relative merits of the details involved in each valuation process we used an equal weighting of the two values for the 2019 testing. The significant assumption sused in the cashflow analysis included projected average annual cashflow growth rates of 7% and the projected cashflows were discounted at 16.0%. Changes in the assumption sunderlying projected cashflows from the reporting unit or its EBITDA multiple, resulting from market conditions, reduced AUM or other factors, could result in an impairment of good will, and such an impairment could potentially have a material impact on our results of operations and financial condition.

We further assess he accuracy of the reporting unit value determined rom these valuation methods by comparing their results to our market capitalization to determine an implied control premium. The reasonable ness this implied control premium is considered by comparing it to control premiums that have been paid in relevant actual change of control transactions. This assess mentrovides evidence that our underlying assumption is our analyses of our reporting unit fair value are reasonable.

In calculating our market capitalization for these purposes, market volatility can have a significant impact on our capitalization and if appropriate we may conside the average market prices of our stock for a period of one or two months before the test date to determine market capitalization A control premiumarises from the fact that in an acquisition, there is typically a premium paid over current market prices of publicly traded companies that relates to the ability to control the

operations of an acquired company Further assessments control premiums in the assetmanagement dustry are difficult because many acquisitions involve privately held companies or involve only portions of a public company such that no control premium can be calculated.

Recentmarketevidenceregardingcontrol premiums suggestvalues of up to 173%, with an average of 24%. Based on our analysis and consideration, we believe the implied control premium of 37% determined by our reporting unit value estimation at October 31, 2019, is reasonable relation to the observed elevant market control premium values.

We determined triggeringeventhadnot occurred or our goodwill asof March 31, 2020. We note that our shareprice and reporting unit fair value have not been significantly impacted by COVID-19 as a result of the Merger Agreement with Franklin Templeton. Pertheterms of the Merger Agreement Franklin Templeton will acquire all of our outstanding common stock for \$50 pershare in cash, valuing the total transaction at approximately \$4.5 billion, which approximate the fair value of the reporting unit determined nour most recent impairment testing, and has been reflected in the trading value Legg Mason common stock.

Stock-Based Compensation

Ourstock-basedompensatioplansincluderestrictedstockunits, stockoptions, an employeestockpurchasplan ("ESPP"), marketandperformance-baspeerformancesharespayablein commonstock, affiliate management quityplansand deferred compensatiop ayablein stock. Underour stock compensatiop lans, we have issued equity awards to directors, officers, and key employees. Under the terms of the Merger Agreement, we may not grantany new awards or amendor modify the terms of any outstanding awards under any of our stock-base dompensatiop lans. Due to this limitation, in fiscal 2021, directors, officers and key employees will be issued deferred cashunits, which will be subject to accelerate desting and payment upon closing of the transaction in lieu of equity awards. In addition, the purchase f shares under the ESPP ceased in February 2020 and the ESPP will terminate immediately prior to the closing date of the Merger.

In accordance with applicable accountinguidance compensatione xpense for the years ended Marchi ¿ 1/20020,2019, and 2018, includes compensation cost for all non-vested share-based wards at their grant date fair value amortized over the respective vesting periods, which may be reduced or retirement-eligible ecipients on the straight-line method. The Merger Agreement provides for the settlement fall outstanding equity awards (vested and unvested) contingent upon the Merger closing. The settlement funvested awards accommodate Franklin Templeton's acquisition of Legg Mason, therefore, we do not incur any related accelerate dompensatione xpense.

Excessaxbenefitsanddeficiencieassociated/ith stock-based/ompensatioarerecognized/sdiscreteitemsin theIncome tax provision(benefit) in the ConsolidatedStatements f Income (Loss) in the reporting periodin which they occur, which may increase the volatility of the Incometax provision(benefit) as a result of fluctuations in our stock price. We account for forfeitures as they occur. Also, cashflows related to incometax deductions excess for less than the related stock-based compensatioexpensere classified as CashFlows from Operating Activities in the ConsolidatedStatements f Cash Flows.

We granted0.4 million stock options in fiscal 2018. No stock options were granted in fiscal 2020 or fiscal 2019. We determine the fair value of each option grant using the Black-Schole soption-pricing model, which requires management developes timates egarding ertain input variables. The inputs for the Black-Schole model include: stock price on the date of grant, exercise price of the option, dividendyield, volatility, expected if and the risk-free interestrate, all of which, with the exception of the grant dates to ckprice and the exercise price, require stimates assumptions. We calculate the dividend yield based upon the average of the historical quarterly dividend payments over a term equal to the expected if of the option and the implied volatility of market listed options at the date of grant. The expected if is the estimated length of time an option will be held before it is either exercise dor canceled based upon our historical option exercise experience. The risk-free interestrate is the rate available for zero-coupor U.S. Governments uses with a remaining term equal to the expected if of the option sheing valued. If we used different methods to estimate our variables for the Black-Scholes model, or if we used a different option-pricing model, the fair value of our option grants might be different.

During fiscal 2017, we implemented an affiliate equity management and that entitles certain key employees of Clarion Partners o participation 15% of the future growth, if any, of the affiliate's enterprise alue (subject o appropriated is counts) subsequent to the date of the grant. During fiscal 2016, we implemented an affiliate management equity plan with Royce which resulted in the issuance of minority equity interests in the affiliate to its management earning fiscal 2019, 2017, and

2016. TheseRoyceinterests allow the holdersto receivequarterly distributions of the affiliate's net revenues in amounts equal to the percentage of ownership represented by the equity they hold, subordinate the maintenance of operating expense and our equity interests. During fiscal 2014, we also implemented management equity plan for Clear Bridge and granted units to certain of their employees that entitle them to participate in 15% of the future growth of the respective affiliate's enterprise alue (subject to appropriated is counts).

We determine the fair value of option-like affiliate management quity plangrants using the Black-Schole sption-pricing model, subject on any post-vesting liquidity discounts which requires management developes timates egarding certain input variables. The inputs for the Black-Scholes model include: baseline value, dividendyield, volatility, expected erm and the risk-free interestrate, all of which require stimates or assumptions. We calculate the dividendyield based upon the average of the historical quarterly dividend payments over a term equal to the expected life of the options. We estimate volatility equally weighted between the historical prices of our stock over a period equal to the expected life of the grant and the implied volatility of market listed options at the date of grant. The expected life is the estimated ength of time an option will be held before it is either exercised or canceled based upon our historical option exercise experience. The risk-free interestrate is the rate available for zero-coupor U.S. Governments us with a remaining term equal to the expected life of the option being valued. If we used different method so estimate our variables for the Black-Scholes model, or if we used a different type of option-pricing model, the fair value of our option grants might be different. However, because our affiliates are private companies without quoted stock prices, we utilize discounted as how analyses and market-based valuations similar to those discussed bove under the heading 21/2 Intangibles ets and Good will 24/2 determine the respective busines enterprise values, subject o appropriate discount for lack of control and market ability

For additional information on stock-based ompensation see Notes 1 and 126 Notes to Consolidated Financial Statements.

Noncontrolling Interests

Noncontrollinginterestsincludeaffiliate minority interests third-party investore quity in consolidated ponsore investment products and vested affiliate management quity plan interests. Noncontrolling interests where the holder may be able to request be the mentare classified as redeemable on controlling interests and are reported at their estimated between tralues, except when such settlement values are less than the issuance value, the reported amount is the issuance value. When settlements not expected o occur until a future date, changes in the expected settlement values are recognized over the settlement of the issuance value, together with undistributed net income (loss) allocated to noncontrolling interests.

We estimate the settlementralue of noncontrolling interests as their fair value. Amounts for affiliate minority interests and affiliate management quity plan interests if reported at fair value, reflect the related total busines enterprise value, after appropriated is counts for lack of market ability and control. There may also be features of these equity interests, such as dividend subordination that are contemplated in their valuations. The fair value of option-like management quity plan interests also relies on Black-Scholes ption pricing model calculations as noted above. For affiliate noncontrolling interests, subsequent acquisition, busines enterprise values are derived using various methods including discounted cashflows, guideline public company and guideline public transaction methods. We may engage third-party valuation experts to perform independent determinations of fair value or to review internally prepared valuations, as appropriate based on the relative significance of the related amounts and related contractual provisions and changes in value is based on market quotes of the underlying securities beld by the investment vehicles.

Income Taxes

We are subject to the incometax laws of the federal, state and local jurisdictions of the U.S. and numerous or eign jurisdictions in which we operate. We file incometax returns representing ur filing positions with each relevant jurisdiction. Due to the inherent complexities arising from conducting business and being taxed in a substantial number of jurisdictions, we must make certain estimates and judgments in determining our incometax provision (benefit) for financial statement purposes.

Substantiallyall of our deferred ax asset selate to U.S. (federal and state), and U.K. taxing jurisdictions. As of Marchi $\frac{1}{2}$ 31, 2020, U.S. federal deferred tax assets aggregate $627i \frac{1}{2}$ million and the selected or equire 3.2 billion of U.S. earning over the next eight years of which approximately 349 million must be foreign source dearnings. Deferred tax assets generate the U.S. jurisdictions resulting from net operating osses generally expire $20i \frac{1}{2}$ years of future and those resulting from foreign tax credits generally expire $10i \frac{1}{2}$ years of the second seco

taxableincome, using assumption **s**imilar to those used in our good will impairment testing, it is more likely thannot that substantially all of the current federal tax benefits relating to net operating losses will be realized. With respect to those resulting from foreign tax credit carry forwards, it is more likely than not that tax benefits relating to the utilization of approximately \$2.4 i 212 millior foreign taxes as credits will not be realized and a valuational lowance has been established. Further, our estimates and assumptions on to contemplate changes in the ownership of Legg Mason stock, which could, undercertain circumstances jimit our utilization of net operating loss and foreign tax credit benefits. Any such limitation would impact the timing or amount of net operating loss or foreign tax credit benefits ultimately realized before they expire.

As of Marchi ¿1/20120,U.S.statedeferredaxassetsaggregate \$238 million, offsetby a valuational lowance \$92 million, and were primarily related to statenet operatingloss benefits generated n certain jurisdictions in cases where it is more likely that these benefits will not ultimately be realized. Due to the variability of future state apportion menfactors and future effective state at rates, the value of statenet operating loss benefits ultimately realized may vary.

For foreign jurisdictions, the net decreasen valuationallowances \$3.8 million in fiscal 2020 was primarily related to current year increases in carried forward U.K. interest deductions offset in part by unrealized gains/losses pension liabilities.

To the extentour analysis of the realization of deferred tax assets elies on deferred tax liabilities, we have considered the timing, nature and jurisdiction of reversals as well as, available planning strategies ovalue and measure the realizability of our deferred ax assets. In the event we determine all or any portion of our deferred ax assets that are not already subject to a valuational lowance are not realizable, we will be required to establish valuational lowance by a charge to the income tax provision in the period in which that determinations made. The values of our deferred ax assets are based on enacted corporate ax rates for the future period in which the tax attributes are anticipated to be realized. Legislative changes to the serate swould require a re-measurement our deferred ax assets in the period of enactment. Depending on the facts and circumstances the charge could be material to our earnings.

The calculation of our tax liabilities involves uncertainties in the application of complex tax regulations. We recognize liabilities for anticipated ax uncertainties the U.S. and other tax jurisdictions based on our estimate of whether and the extent to which, additional taxes will be due.

RECENT ACCOUNTING DEVELOPMENTS

Seediscussion of RecentAccountingDevelopmentsin Noteï¿ Motesto Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

See "Item 7. Management's Discussion **Ana**lysis of Financial Condition and Results of Operations - Market Risk" for disclosures about market risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Themanagement fLeggMason, ï ¿1/2 its responsible for establishing and maintaining adequatent ernal control over financial reporting.

LeggMason'sinternalcontrol over financial reportingis a processdesignedo providereasonablessurancegardingthe reliability of financial reporting and the preparation financial statements external purposes accordance with accounting principles generally accepted the United States of America. Legg Mason'sinternal control over financial reporting includes those policies and procedures that (i) i 2½ pertain the maintenance frecords that, in reasonable letail, accurately and fairly reflect the transaction and dispositions of the assets of LeggMason; (ii) i 2½ provides on ablessurance that transactions are recorded as necessary opermit preparation of financial statements accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of LeggMason rebeing madeonly in accordance with authorizations fmanagement and directors of Legg Mason; and (iii) i 2½ provides sonable assurance garding prevention or timely detection of unauthorized cquisition, use, or disposition of LeggMason's assets that could have a material effect on the financial statements.

Because f its inherentlimitations, internal control over financial reporting may not preventor detectmisstatement Also, projections of any evaluation of effectivenes to future periods are subject to the risk that controls may be comeinade quate because f changes in conditions, or that the degree of compliance with the policies or procedure snay deteriorate.

Managementassesse the effectiveness of Legg Mason's internal control over financial reporting as of March 31, 2020, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control i 21/2 integrated Framework (2013). Based on that assessments an agement on cluded that, as of March 31, 2020, Legg Mason's internal control over financial reporting is effective based on the criteria established in the COSO framework.

The effectivenessof Legg Mason'sinternal control over financial reporting as of March 31, 2020, has been audited by Pricewaterhouse Coopers"; has been added by the second second

JosephA. Sullivan Chairman and Chief Executive for

Peter H. Nachtwey Senior Executive/ice President and Chief Financialfi@er

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Boardof DirectorsandStockholdersof LeggMason,Inc.

Opinions on the Financial Statement and Internal Control over Financial Reporting

We have audited the accompanying on solidated balancesheets of Legg Mason, Inc. and its subsidiaries the i_2 /2 Companyi i_2 /2) as of March 31, 2020 and 2019, and the related consolidated statements of income (loss), comprehensive ncome (loss), changes in stockholders of the related notes (collectively referred to as the i_2 /2 consolidated ncial statements i_2 /2 also have audited the Company's internal control overfinancial reporting as of March 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated inancial statement seferred to above presenfairly, in all material respects the financial position of the Companyas of March 31, 2020 and 2019 and the results of its operations and its cashflows for each of the three years in the period ended March 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained in all material respects effective internal control over financial reporting as of March 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Changein AccountingPrinciple

As discussed in Note 1 to the consolidated inancial statements the Company changed he manner in which it accounts for i/2/lease Sign 2019.

Basisfor Opinions

The Company'smanagements responsible or these consolidated inancial statements or maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management Internal Control Over Financial Reporting. Our responsibility is to express pinions on the Company's company's counting firm registered with the Public Company's neural control over financial reporting Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted bur audits in accordance with the standards of the PCAOB. Those standard sequire that we plan and perform the audits to obtain reasonables surance bout whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control overfinancial reporting was maintained in all material respects.

Our audits of the consolidated financial statement sincluded performing procedures to assess the risks of material misstatement of the consolidated financial statements whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amount sand disclosures in the consolidated financial statement. Our audits also include devaluating the accounting principle suse and significant estimates made by managements well as evaluating the overall presentation of the consolidated financial statement. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weaknes exists and testing and evaluating the design and operating effectivenes of internal control based on the assessed sk. Our audits also included performing such other procedure as we considered the cessary in the circumstance we believe that our audits provide a reasonable asis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company **s** *i*/kernal control over financial reporting is a process designed o provide reasonable assurance garding the reliability of financial reporting and the preparation of financial statement for externa burposes in accordance with generally accepted accounting principles A company **s** *i*/kernal control over financial reporting includes those policies and procedures that (i) i *i* $\frac{1}{2}$ pertain the maintenance f records that, in reasonable detail, accurately and fairly reflect the transaction and dispositions of the assets of the company; (ii) i $\frac{1}{2}$ provide a sonable assurance that transactions are recorded as necessary o permit preparation financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) i $\frac{1}{2}$ provide sonable assurance garding prevention or timely detection of unauthorized acquisition, use, or disposition of the company **s** *i* is that could have a material effect on the financial statements.

Because f its inherentlimitations, internal control overfinancial reporting may not preventor detectmisstatement Also, projections of any evaluation of effectivenes to future periods are subject to the risk that controls may be comenade quate because f changes in conditions, or that the degree of compliance with the policies or procedure snay deteriorate.

Critical Audit Matters

The critical auditmatters communicate below are matters arising from the current period auditof the consolidate dinancial statement shat we recommunicate be communicated to the audit committee and that (i) relate accounts or disclosures that are material to the consolidate dinancial statements and (ii) involved our especially challenging, subjective or complex judgments. The communication of critical auditmatters does not alterin any way our opinion on the consolidate dinancial statements, by communicating the critical audit matters below, providing separate pinions on the critical audit matters or on the accounts or disclosures or which they relate.

Indefinite-LivedIntangiblesImpairmentAssessment

As describedin Notes 1 and 5 to the consolidated inancial statements the Company is idensolidated in definite-lived intangibles alance was \$3.2 billion as of March 31,2020, which represented on tract to manage proprietary mutual funds, hedgefunds, funds-of-hedge unds, or real estate funds and tradenames resulting from acquisitions Management conducts an annual impairment test as of October 31, or more frequently if triggering events have occurred that may indicate the fair value has decline below the carrying amount An assets determined obeimpaired if the current fair value of the indefinite-lived intangibles unit of accounts less than the recorde carrying value. The fair values are estimated as each discounted projected as hows. As disclosed by management betermining the fair value of the indefinite-lived intangible assets using this technique involved the use of significant assumption selated to the cashflow projections including estimates of future revenues growth rates of AUM, the related profit margins, taxes and discount rates.

The principal considerations or our determination that performing procedures relating to indefinite-lived intangibles impairment assessments a critical audit matterare there was significant judgment by managements when developing the fair value estimates function the indefinite-lived intangibles. This in turn led to a high degrees fauditor judgment, subjectivity and effort in performing procedures evaluatemanagement is judginificant assumptions including growth rates of AUM, related profit margins, and discount rates. In addition, the audite fort involved the use of professionals with specialized skill and knowledge to assist in performing the seprocedure and evaluating the audit evidences betained.

Addressinghematterinvolvedperformingprocedureandevaluatingauditevidencein connection with forming our overall opinion on the consolidated in ancial statements These procedure included testing the effectivenes of controls relating to the indefinite-lived intangible impairment assessment, cluding controls over the determination of the cashflow projections and the significant assumption used. These procedures also included, among others, testing management is to eveloping the fair value estimate; evaluating the appropriatenes of the discounted cash flow model; testing the completenes of underlying data used in the model; and evaluating the significant assumptions used by management for underlying data used in the model; and evaluating the reasonable of underlying and is countrates. Evaluating the reasonable of a management is assumption selated to growth rates of AUM and related profit margins involved considering the past performance of the indefinite-lived intangible assets consistency with macroe consistent with evidence batined in other areas of the audit. Professional swith specialized skill and knowled gewere used to assist in the evaluation of the

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Companys discounted ashflow model and certain significant assumption sincluding the growth rates of AUM and the discountrates.

Realizability of Deferred Tax Assets DomesticNetOperatingLossand Foreign Tax Credit Carryforwards

As described n Notes1 and7 to the consolidated in ancial statements the Company ic fansolidated pross deferred ax assets were \$929 million, excluding \$137 million of valuational lowance as of March 31, 2020; 63% of the gross deferred tax assets elated domestionet operating loss and foreign tax credit carry forwards Realizability of deferred ax assets elated to domestic operating loss each foreign tax credit carry forwards between the estimates of future taxable income involving the use of significant assumptions elated to cash flow projections including estimates of future revenues, growth rates of AUM, profit margins, future state apportion mentactors, future effective state tax rates and foreign sourced earnings.

The principal consideration for our determination that performing procedure selating to the realizability of deferred tax assets from domestion to perating ossand for eigntax credit carry forwards a critical auditmatterare there was significant judgment by management/hendetermining the realizability of deferred ax assets elated to domestic operating osses and for eigntax credit carry forwards. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures o evaluate the realizability of deferred tax assets estimates of future taxable income and other significant assumption including the growth rates of AUM, profit margins, future state apportion menfactors, future effective state tax rates and for eign source dearnings. In addition, the audit effort involved the use of professional swith specialized skill and knowledge to assist performing the seproced ure and evaluating the audit evidence obtained.

Addressinghematterinvolvedperformingprocedureandevaluatingauditevidencein connectionwith formingouroverall opinion on the consolidatedinancial statements Theseprocedure included testing the effectivenes of controls relating to management igealizability of deferred tax assets including controls over the estimate of future taxable income and the significant assumptions sed. These procedure also included, amongo thers testing management igealizability of deferred tax assets evaluating the appropriateness of the undiscounted ashflow model; evaluating the significant assumptions sed by management developing the estimate of future taxable income, including growth rates of AUM, profit margins, future state apportion menfactors, future effective state tax rates and foreign source dearnings; and testing the completeness accuracy and relevance of the dataused in the calculations Evaluating the pastperformance of the Company consistency with macroe conomiter ends that may impact the growth rates of AUM and profit margins and whether these assumptions were consistent with evidence of the asso of the audit. Professional with specialized skill and knowledge were used to assist in the evaluation of certain significant assumptions including future state apportion menfactors, future effective state asso for the significant assumptions and whether these assumptions are used to assist in the evaluation of certain significant assumptions including future state apportion menfactors, future effective state ax assessional with specialized skill and knowledge were used to assist in the evaluation of certain significant assumptions including future state apportion menfactors, future effective statetax rates and foreign source dearnings.

Baltimore, Maryland May 28, 2020

We have served as the Company \$202 ditors inceat least 1983, which is when the Company becames ubject to SEC reporting requirements. We have not been able to determine the specific year we begans erving as auditor of the Company

LEGG MASON, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (Dollars in thousands)

رٌ;⁄₂	Mar	ch 31, 2020	Marc	h 31, 2019
ASSETS				
CurrentAssets				
Cash and cash equivalents	\$	1,018,860	\$	921,071
Cash and cash equivalents of consolidated investment vehicles	÷	620	Ŧ	4,219
Restricted cash		28,133		21,213
Receivables:		20,100		21,210
Investment advisory and related fees		407,893		425,470
Other		47,634		57,107
Investment securities		338,894		377,129
Investment securities of consolidated investment vehicles		117,084		129,627
Other		80,030		82,131
Other current assets of consolidated investment vehicles		476		1,889
Total CurrentAssets		2,039,624		2,019,856
Fixed assets, net		134,423		149,989
				3,386,759
Intangible assets, net Goodwill		3,355,690		
Deferred income taxes		1,847,766		1,883,554
		161,977		199,717
Right-of-use assets		291,342		�
Other		152,985		145,254
Other assets of consolidated investment vehicles	<u> </u>	22,313	•	8,993
	\$	8,006,120	\$	7,794,122
LIABILITIES AND STOCKHOLDERSï¿EQUITY				
LIABILITIES				
Current Liabilities				
Accrued compensation	\$	574,430	\$	571,301
Accounts payable and accrued expenses		156,981		182,921
Current portion of long-term debt		½غï		250,301
Lease liabilities		77,814		½٪۲٤
Other		115,788		99,479
Other current liabilities of consolidated investment vehicles		1,044		5,742
Total Current Liabilities		926,057		1,109,744
Deferred compensation		95,293		85,548
Lease liabilities		278,737		<u>∕</u> ′;ï
Deferred income taxes		165,038		123,420
Other		32,167		122,044
Long-term debt, net		1,972,733		1,971,451
TOTAL LIABILITIES		3,470,025		3,412,207
Commitments and Contingencies (Note 9)				
REDEEMABLE NONCONTROLLING INTERESTS		714,414		692,376
STOCKHOLDERS' EQUITY		ن ت	1/2	
Common stock, par value \$0.10 per share; authorized 500,000,000 shares; issued 87,781,705 and 85,556,562 shares for March 31, 2020 and 2019, respectively		8,778		8,556
Additional paid-in capital		2,158,755		2,039,671
Employee stock trust		(19,778)		(21,416)
Deferred compensation employee stock trust		19,778		21,416
Retained earnings		1,820,412		1,742,764
Accumulated other comprehensive loss, net		(195,306)		(131,236)
Total stockholders' equity attributable to Legg Mason, Inc.		3,792,639		3,659,755
Nonredeemable noncontrolling interest				
		29,042		29,784
	<u></u>	3,821,681	<u>ф</u>	3,689,539
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	8,006,120	\$	7,794,122
See Notes to Consolidated Financial Statements				

LEGG MASON, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME (LOSS) (Dollars in thousands, except per share amounts)

	Years Ended March 31,						
نائ2 المحافظة المحافظ		2020		2019		2018	
OPERATING REVENUES							
Investment advisory fees:							
Separate accounts	\$	1,051,965	\$	1,029,353	\$	1,020,790	
Funds		1,495,025		1,479,972		1,564,839	
Performance fees		99,021		84,900		227,785	
Distribution and service fees		270,398		302,967		321,936	
Other		5,716		6,067		4,972	
Total Operating Revenues		2,922,125		2,903,259		3,140,322	
OPERATING EXPENSES							
Compensation and benefits		1,436,919		1,398,969		1,508,798	
Distribution and servicing		413,196		439,276		489,331	
Communications and technology		225,388		228,138		212,798	
Occupancy		110,427		105,296		100,760	
Amortization of intangible assets		22,539		24,404		24,604	
Impairment of intangible assets		2⁄′;ئ	2	365,200		229,000	
Contingent consideration fair value adjustments		(915)		571		(31,329	
Other		209,411		238,303		282,359	
Total Operating Expenses		2,416,965		2,800,157		2,816,321	
OPERATING INCOME		505,160		103,102		324,001	
NON-OPERATING INCOME (EXPENSE)							
Interest income		12,294		12,176		7,106	
Interest expense		(109,87 0		(117,34 1)		(117,872)	
Other income (expense), net		(13,312)		31,123		10,824	
Non-operating income (expense) of consolidated investme vehicles, net	ent	16,262		(565)		9,781	
Total Non-Operating Income (Expense)		(94,626)		(74,607)		(90,16 1)	
INCOME BEFORE INCOME TAX PROVISION		410,534		28,495		233,840	
Income tax provision (benefit)		106,048		20,561		(102,51 0	
NET INCOME		304,486		7,934		336,350	
Less: Net income attributable to noncontrolling interests		53,119		36,442		51,275	
NET INCOME (LOSS) ATTRIBUT ABLE TO LEGG MASON, INC.	\$	251,367	\$	(28,508)	\$	285,075	
NET INCOME (LOSS) PER SHARE ATTRIBUT ABLE TO LEGG MASON, INC. STOCKHOLDERS:							
Basic	\$	2.80	\$	(0.38)	\$	3.03	
Diluted		2.79		(0.38)		3.01	

LEGG MASON, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Dollars in thousands)

Years Ended March 31,									
	2020	2019			2018				
\$	304,486	\$ 7,9	34 3	\$	336,350				
	(81,087)	(71,8	82)		48,556				
	17,017	(4,1	72)		3,046				
	(64,070)	(76,0	54)		51,602				
	240,416	(68,1	20)		387,952				
	54,190	41,1	80		50,894				
\$	186,226	\$ (109,3		\$	337,058				
	\$	2020 \$ 304,486 (81,087) 17,017 (64,070) 240,416 54,190	2020 2019 \$ 304,486 \$ 7,9 (81,087) (71,8 17,017 (4,1 (64,070) (76,0 240,416 (68,1 54,190 41,1	2020 2019 \$ 304,486 \$ 7,934 (81,087) (71,882) 17,017 (4,172) (64,070) (76,054) 240,416 (68,120) 54,190 41,180	2020 2019 \$ 304,486 \$ 7,934 (81,087) (71,882) 17,017 (4,172) (64,070) (76,054) 240,416 (68,120) 54,190 41,180				

LEGG MASON, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERSi ¿EQUITY (Dollars in thousands)

<u>%</u> ز;	Years Ended March 31,						
; ئۆ		2020		2019	2018		
STOCKHOLDERS' EQUITY ATTRIBUT ABLE TO LEGG MASON, INC.							
COMMON STOCK							
Beginning balance	\$	8,556	\$	8,461 \$	5 9	,573	
Stock options exercised		126		20		47	
Deferred compensation employee stock trust		1		1		1	
Stock-based compensation		141		114		95	
Employee tax withholdings by settlement of net share transactions		(46)		(40)		(35)	
Shares repurchased and retired		1⁄2ن		1⁄2 آغ	(1	,220)	
Ending balance		8,778		8,556		,461	
ADDITIONAL PAID-IN CAPIT AL						<u>،</u> ئزت	
Beginning balance		2,039,671		1,976,364	2,385	-	
Stock options exercised		43,260		6,094	14	,024	
Deferred compensation employee stock trust		707		630		554	
Stock-based compensation		65,150		62,704	70	,277	
Employee tax withholdings by settlement of net share transactions		(15,402)		(15,535)		, 198)	
Shares repurchased and retired		ر		ر، د.,	-	,91 9	
Redeemable noncontrolling interest reclassification filiate management equit		16/2		16/2	(-11	,019	
plans and ailiate noncontrolling interest	у	25,369		9,414	(3	,10 0)	
Ending balance		2,158,755		2,039,671	1,976		
EMPLOYEE STOCK TRUST					,	; ; ï	
Beginning balance		(21,416)		(21,996)	(24	,057)	
Shares issued to plans		(707)		(631)	-	(555)	
Distributions		2,345		1,211	2	,616	
Ending balance		(19,778)		(21,416)	(21	,996)	
DEFERRED COMPENSATION EMPLOYEE ST OCK TRUST							
Beginning balance		21,416		21,996	24	,057	
Shares issued to plans		707		631		555	
Distributions		(2,345)		(1,211)	(2	,616)	
Ending balance		19,778		21,416	21	,996	
RETAINED EARNINGS							
Beginning balance		1,742,764		1,894,762	1,694		
Net income (loss) attributable to Legg Mason, Inc.		251,367		(28,508)	285	,075	
Dividends declared (\$1.60, \$1.36 and \$1.12 per share, respectively)		(146,29 4)		(120,66 9	(105	,16 9	
Reclassification to noncontrolling interest for net increase in estimated redem	ption	(27,425)		(15,084)	(1	,330)	
value of afiliate management equity plan another noncontrolling interests					-		
Adoption of stock-based compensation guidance		۲′¿1⁄2 ∕1 ن		2⁄ ¹ ;ĭ	24	,327	
Adoption of revenue recognition guidance		½: 1/2 000 110		12,263	4.00	<u>%; تا</u>	
		1,820,412		1,742,764	1,894		
ACCUMULA TED OTHER COMPREHENSIVE LOSS, NET		(404.000		(55 400	(400	; د مح	
Beginning balance		(131,236)		(55,182)		6,784	
Foreign currency translation adjustment		(81,087)		(4,172)		,046	
Changes in defined benefit pension plan		17,017		(71,882)		,556	
		(195,306)		(131,236)		,182)	
TOTAL STOCKHOLDERSتی EQUITY ATTRIBUT ABLE TO LEGG MASON, INC. NONREDEEMABLE NONCONTROLLING INTEREST		3,792,639		3,659,755	3,824	1,405	
		20 7Q1		07 701	70	709	
Beginning balance Net income attributable to noncontrolling interests		29,784 5,891		27,731 8,413		,798 403	
Grants of afiliate management equity plan interests		۱ وه,د ½غï		8,413 2,400	ö	,403 ½غï	
Distributions		ري. (6,63 3)		(8,760)	/ 8	,470)	
Ending balance		29,042		29,784		, 479 ,731	
	\$	3,821,681	\$	3,689,539			
	φ	3,021,001	φ	3,009,339 3	o 3,002	., 130	

LEGG MASON, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (Dollars in thousands)

تزي⁄/2	Years Ended March 31,					
تز1⁄2		2020	2019		2018	
CASH FLOWS FROM OPERATING ACTIVITIES						
Net Income	\$	304,486 \$	7,934	\$	336,350	
Adjustments to reconcile Net Income to net cash provided by operations:						
Depreciation and amortization		67,378	72,795		72,986	
Accretion and amortization of securities discounts and premiums,	net	1,344	2,057		2,816	
Stock-based compensation		67,301	65,884		70,875	
Net unrealized (gains) losses on investments		43,967	8,380		(4,741)	
Net (gains) losses and earnings on investments		(29,290)	(27,705)		305	
Net (gains) losses of consolidated investment vehicles		(16,262)	565		(9,781)	
Deferred income taxes		97,051	(8,319)		72,182	
Impairments of intangible assets		�	365,200		229,000	
Tax expense (benefit) for neTwax Law		�	2,164		(213,675)	
Contingent consideration fair value adjustments		(915)	571		(31,329)	
Other		719	1,155		1,047	
Decrease (increase) in assets:						
Investment advisory and related fees receivable		15,407	45,695		(38,094)	
Net (purchases) sales of trading and other investments		(6,591)	9,991		44,115	
Other receivables		2,558	(8,822)		9,109	
Other assets		17,434	(18,507)		2,038	
Assets of consolidated investment vehicles		24,093	12,559		(67,690)	
Increase (decrease) in liabilities:						
Accrued compensation		7,844	100,640		(13,946)	
Deferred compensation		9,745	(6,87 3)		4,447	
Accounts payable and accrued expenses		(26,404)	9,553		(8,956)	
Other liabilities		(14,611)	(79,159		32,412	
Other liabilities of consolidated investment vehicles		(4,698)	5,108		(102)	
CASH PROVIDED BY OPERATING ACTIVITIES	\$	560,556 \$	560,866	\$	489,368	
					<u> </u>	

(Continued)

LEGG MASON, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) (Dollars in thousands)

ترائع	Years Ended March 31,				31,	
٤، المحافظة ال		2020		2019	2018	
CASH FLOWS FROM INVESTING ACTIVITIES						
Business acquisition, net of cash acquired of \$992	\$	(10,247)	\$	ï;½ \$	¹ /2	
Payments for fixed assets		(29,606)		(51,335)	(37,346)	
Contingent payment from prior sale of business		2⁄′ئï	2	923	6,028	
Business investments		(14,150)		ï;½	(2,950)	
Returns of capital and proceeds from sales and maturities of investments		8,631		13,911	14,785	
CASH USED IN INVESTING ACTIVITIES	_	(45,372)		(36,501)	(19,483)	
CASH FLOWS FROM FINANCING ACTIVITIES				<u>;</u> آ	1/2	
Repayment of long-term debt		(250,00)		<u>′/</u> 2	<u>′</u> ′ئï	
Dividends paid		(137,95 0		(114,76 1)	(102,17 8	
Distributions to affiliate noncontrolling interests		(37,787)		(38,575)	(61,858)	
Payment of contingent consideration		(500)		(4,869)	(3,242)	
Purchase of tif iate noncontrolling interests		(10,547)		(16,528)	<u>′</u> ′ئï	
Net (redemptions) subscriptions attributable to noncontrolling intere	ests	(873)		(22,193)	57,228	
Employee tax withholdings by settlement of net share transactions		(15,448)	(15,575)	(13,233)		
Issuances of common stock for stock-based compensation		44,094		6,472	14,626	
Repurchases of common stock		2⁄′غï	2	<u>′/</u> 3	(479,13 9	
Increase (decrease) in short-term borrowings		ïز½ (125,50)			125,500	
CASH USED IN FINANCING ACTIVITIES		(409,011)		(331,529	(462,296)	
EFFECT OF EXCHANGE RATES		(7,291)		(15,806)	11,837	
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		98,882		177,030	19,426	
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:						
BEGINNING OF PERIOD		950,795		773,765	754,339	
END OF PERIOD	\$	1,049,677	\$	950,795 \$	773,765	
Supplemental Disclosues						
Cash paid for:					Ϊ¿	
Income taxes, net of refunds of \$5,883, \$757 and \$9,032, respectivel	у\$	17,155	\$	39,173 \$	32,879	
Interest		109,886		115,302	115,025	
Reconciliation of cash, cash equivalents and stricted cash	_	2020		2019	2018	
Cash and cash equivalents	\$	1,018,860	\$	921,071 \$	736,130	
Restricted cash:						
Corporate restricted cash		28,133		21,213	30,428	
Cash and cash equivalents of consolidated investment vehicles		620		4,219	2,800	
Affiliate employee benefit trust cash included in Other non-current assets		2,064		4,292	4,407	
Total cash, cash equivalents and restricted cash per consolidated statements of cash flows	\$	1,049,677	\$	950,795 \$	773,765	
ee Notes to Consolidated Einancial Statements						

LEGG MASON, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Amounts in thousands, except per share amounts or unless otherwise noted) March 31, 2020

1. Significant Accounting Policies

Businessand Basisof Presentation

Legg Mason, i; 21/2 (nearent") and its subsidiaries (collectively, "Legg Mason") are principally engaged n providing asset management and related financial services to individuals, institutions, corporations and municipalities.

The consolidated inancial statement include the accounts of the Parent and its subsidiaries in which it has a controlling financial interest. Generally an entity is considered o have a controlling financial interest when it owns a majority of the voting interest in an entity. Legg Mason is also required to consolidate any variable interestentity ("VIE") in which it is considered o be the primary beneficiary See" Consolidation "below and Note 20 for a further discussion of VIEs. All material intercompany balances and transaction shave been eliminated.

Certainamountsin prior yearfinancial statements avebeen reclassified o conform to the current year presentation.

All references of fiscal 2020,2019 or 2018, refer to Legg Mason's fiscal year ended Marchi 21/28 that year Termssuchas "we", "us", "our," and "Company" refer to Legg Mason.

Plan of Merger with Franklin Resources, Inc.

On February 17, 2020, Legg Masonentered nto an Agreement and Planof Merger (the "Merger Agreement") with Franklin Resources Inc. ("Franklin Templeton") and Alpha Sub, Inc. ("Merger Sub"), a wholly owned subsidiary of Franklin Templeton pursuant owhich the Company will be merged into Merger Sub (the "Merger"), with the Company continuing as the surviving corporation and a wholly owned subsidiary of Franklin Templeton.

Pursuanto the Merger Agreement each outstanding share f commonstock of the Company will be converted not the right to receive from Franklin Templeton \$50.00 in cash. The transactions expected close by the end of the third calendar quarter of 2020, subject to the satisfaction of customary closing conditions for both parties, including among others, the approvable the Merger Agreemenby the holders of a majority of Legg Mason's outstanding commons hare and the receipt of required regulatory approvals.

Risks and Uncertainties

In March2020, the World HealthOrganization declared heoutbreak of a novel coronavirus ("COVID-19") global pandemic and recommended on tain mentand mitigation measures or ldwide. TEMs contagious lise as outbreak has adversely affected work forces, customerse conomies and global financial markets. TEMs reis significant uncertainty around the bread than duration of business lisruptions related to COVID-19 as well as its impact on the global economy. Therefore, Management is currently unable to determine the extent of the potential impacts to its financial condition or results of operations. i 21/2

Useof Estimates

The consolidate dinancial statementare prepare din accordance with accounting rinciples generally accepted the United States of America and the applicable rules and regulations of the Securities and Exchange Commission ("SEC"), which require management omake assumptions and estimates that affect the amounts reported in the consolidate dinancial statement and accompanying otes including revenue ecognition, valuation of financial instruments intangible assets and good will, stock-based compensation and income taxes. Managementelieves that the estimates used are reasonable, although actual amounts could differ from the estimates and the difference could have a material impact on the consolidated financial statements.

Consolidation

LeggMasonsponsor and manage various types of investmen products. For its services LeggMason is entitled to receive management fees and may be eligible, undercertain circumstances preceive additional subordinate than agement fees or other incentive fees. Legg Mason's exposure to risk in these entities is generally limited to any equity investment it has madeor is required to make, and any earned but uncollected management fees, except those for which total returns wap arrangement has vebeen executed for which additional risks are discussed below. Legg Mason did not sell or transfer

investmentassetsto any of theseinvestmentproducts. In accordance with financial accountingstandards Legg Mason consolidates certainsponsore investment products some of which are designated indreported as consolidated investment vehicles ("CIVs"). The consolidation of sponsore investment products including those designated is CIVs, has no impact on Net Income (Loss) Attributable to Legg Mason, Inc. and does not have a material impact on Legg Mason's consolidated operating results. The change in the value of all consolidated sponsore investment products is recorded non-Operating Income (Expense) and reflected in Net income (loss) attributable to noncontrolling interests. The financial information of certain consolidated ponsore investment products included in the Company's consolidated in ancial statement on a is included in the investment product's financial information.

Certainof theinvestmenproducts_eggMasonsponsorandmanageareconsideredo beVIEs (asfurtherdescribedbelow) while others are consideredo be voting rights entities (i¿½VREsäub) ctto traditional consolidation concepts based on ownership rights. Legg Masonmay fund the initial cashinvestment in certain VRE investment products ogeneratean investment performance rackrecord in order to attract third-party investors in the product. LeggMason's initial investment in a new product typically represents i ¿½1001% com for ship in that product. As further discussed in Note 3, the products with i ¿½second table investments in the product by LeggMason line estimates in the product, but they are not designated sCIVs by LeggMason unless the investment is longer term. As of March 31, 2020, 2019, and 2018, no consolidated/REs were designated as CIVs.

A VIE is an entity which doesnot have adequate quity to finance its activities without additional subordinated in ancial support or the equity investors as a group, do not have the normal characteristics of equity investors or a potential controlling financial interest. LeggMasonmust consolidate my VIE for which it is deemed obethe primary beneficiary

Under consolidation accounting guidance if limited partnersor similar equity holders a sponsored nvestment vehicle structure das a limited partnership or a similar entity do not have either substantive nvestor rights to replace the manager (kick-outrights) or substantive articipation rights over the general partner the entities are VIEs. As a sponsored manager of an investment vehicle, Legg Mason may be deemed a decision maker under the accounting guidance. If the fees paid to a decision maker are market-based, uch fees are not considered variable interests in a VIE. Market-based decisare those fees which are both customary and commensurate with the level of effort required for the service sprovided. Additionally, if employee interests a sponsore investment vehicle are not included in the variable interests assessment and are not included in the primary beneficiary determination.

A decisionmakeris deemedo beaprimarybeneficiaryof a VIE if it hasthepowerto directactivities that most significantly impact the economic performance of the VIE and the obligation to absorblosses or receive benefits from variable interests that could be significant to the VIE. In determining whether it is the primary beneficiary of a VIE, Legg Mason considers both qualitative and quantitative factors such as the voting rights of the equity holders guarantees and implied relationships. If a fee paid to a decision maker is not market-based will be considered in the primary beneficiary determination.

As of March 31, 2020, 2019, and 2018, Legg Mason concludedt was the primary beneficiary of certain VIEs, which were consolidated and designated as CIVs, because it held significant financial interests in the funds. In addition, Legg Mason has entered no various total returns wap arrangements with financial intermediaries with respect to certain Legg Mason sponsore exchange raded funds ("ETFs"). Under the terms of the total returns waps Legg Mason absorb all of the related gains and losses on the underlying ETF investments of these financial intermediaries and therefore has variable interests in the related funds and, if significant, may be deemed he primary beneficiary As of March 31, 2020, 2019, and 2018, Legg Mason consolidated he ETFs with significant open total returns wap arrangements which were designated as CIVs. See Note 20 for additional information.

Revenue Recognition

Effective April 1, 2018, Legg Masonadoptedupdated accountingguidanceon revenue recognition. The adoption of the updated judanced id not result in significant changes Legg Mason is pair revenue recognition practices except for the timing of the recognition of certain performance and incentive fees, the capitalization and amortization of certain sales commissions for separate accounts and the net presentation of certainfund expense eimbursements which we repreviously presented nagros basis. Each of the sechanges Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges o Legg Mason is presented on a gross basis. Each of the sechanges of the

LeggMasonadoptedheupdatedjuidanceon a modified retrospectivebasisfor any contracts hat we renot complete as of April 1, 2018 and recognized he cumulative effect of initially applying the updated juidance for certains ales commissions as an adjustment othe opening balance fretained earning so taling \$12,263 on April 1, 2018. The rewas no cumulative effect for performance and incentive fees or fund expensere imbursement accounting. The comparative information for fiscal 2018 has not been restated and continues to be reported under the prior accounting juidance in effect for that period.

Legg Mason primarily earns revenues by providing investment managements ervices and distribution and shareholder services for its customers which are generally investment undsor the underlying investors in separately manage accounts. As further discussed below, revenues calculated based on the value of the investments under management determine the transaction price recognized when obligations under the terms of contracts with customers are satisfied, which is generally over time as the services are rendered.

Legg Masonalso has responsibility for the valuation of assets undermanagement "AUM"), substantially all of which is based on observable market data from independent pricing services fund accounting agents custodians or brokers.

InvestmentAdvisoryFees

LeggMasonearnsinvestmentadvisoryfeeson assetsin separatelynanaged ccountsinvestmenfunds, and other products managed or LeggMason'sclients. Generally investment managementervices area single performance bligation, as they include a series of distinct services that are substantially the same and are transferred to the customer over time using the same time-based measure of progress. Investment managementervices are satisfied over time as the customer simultaneously eceives and consumes the benefits as the advisory services are performed.

SeparateAccountand FundsAdvisoryFees

Separataccountandfundsadvisoryfeesarevariableconsideration which is primarily based on predetermine dercentages of the daily, monthly or quarterly averagemarket value of the AUM, as defined in the investment management greements. The averagemarket value of AUM is subject to change based on fluctuations and volatility in financial markets and assuch, separataccount and funds advisoryfees are constrained until the end of the monthor quarter when the actual averagemarket value of the AUM is known and a significant revenuer eversals no longer probable. Therefore separataccount and fund advisory fees are included in the transaction price and allocated to the investment management service sperformance obligation at the end of each monthly or quarterly reporting period, as specified in the investment management contract. Payment for services under investment management contracts due once the variable considerations allocated to the transaction price, and generally within 30 days. Recognition of separataccount and funds advisoryfee revenue under the updated guidances consistent with Legg Mason and a significant revenuer ecognition process.

Performanceand IncentiveFees

Performance and incentive fees are variable consideration that may be earned on certain investment management on tracts for exceedingperformancebenchmarkson a relative or absolutebasisor for exceedingcontractualreturn thresholds. Performancendincentivefeesare estimated the inception of a contract; however a range of outcomes possibledue to factorsoutside the control of the investment managerparticularly market conditions. Performance and incentive fees are therefore excluded from the transaction price until it becomes probable that a significant reversalin the cumulative amountof revenuerecognized will not occur A portion of Legg Mason'sperformance and incentive fees are earned as ed on 12-month performance periods that end in differing quarters during the year, with a portion also based on quarterly performanceperiods. LeggMasonalsoearnsperformanceandincentivefeeson alternativeandcertainotherproducts that lock at the earlier of the investor is termination date or the liquidation of the fund or contract in multiple-yearintervals, or upon the occurrence of specific events such as the sale of assets. For certain of these products performance and incentive feesmayberecognized srevenue arlier under the updated yuidance han under prior revenue ecognition practices which deferred ecognitionuntil all contingencies vereresolved. Any such performance ees recognize prior to the resolution of all contingencies are recorded as a contract asset in Other current assets or Other non-current asset in the Consolidated BalanceSheet.dependingon the length of time until the contingencie are resolved.Perthe terms of certain acquisitions, performance eesearned on pre-closeAUM of the acquired entities are fully passed hrough as compensation expense and therefore have no impacton Net Income (Loss) Attributable to Legg Mason Inc.

FeeWaiversandFundExpenseReimbursements

LeggMasonmaywaivecertainfeesfor investorsor mayreimbursets investmentundsfor certainoperatingexpenses when such expenses xceeds certainthreshold. Feewaivers continue to be reported as a reduction in advisory feerevenue under the updated guidance. Under prior accountingguidance fund expenses eimbursements excess frecognized evenue

wererecorded as Other expension the Consolidated Statement of Income(Loss). Under the updated accountinguidance, these fund expensere imbursement that exceed he recognized evenue represented as a reduction of Investmentadvisory fees-Funds in the Consolidated Statement of Income(Loss).

Distribution and ServiceFeesRevenueand Expense

Distribution and service fees representees earned rom funds to reimburs the distributor for the costs of marketing and sellingfund share and are generally determine das a percentage f client assets Reported amount also include feese arned from providing client or shareholdes ervicing including record keeping or administrative ervices o proprietary funds, and non-discretionaradvisoryservices or assets inderadvisement Distribution and service feese arneoun company-sponsored investmenfundsarereportedasrevenue.Distributionserviceandmarketingserviceareconsideredasingleperformance obligationasthesuccess f selling the underlying share is highly dependent ponthesale and marketing efforts. Ongoing shareholdeservicing is a separateerformancebligation as the seservices are not highly interrelate and interdependent on the sale of the shares. Feese arned elated to distribution and shareholdes erving are considered variable consideration because they are calculated as edunt the averagemarket value of the fund. The averagemarket value of the fund is subject to changebase don fluctuations and volatility in financial markets and assuch distribution and shareholdes ervice feesare generallyconstrained until the endof the monthor quarter when the actual market value of the fund is known and the related revenues no longersubject to a significant reversal. Therefore distribution and service fees are generally included in the transaction price at the end of each monthly or quarterly reporting period and a reallocated othetwo performance bligations basedon the amountspecified in each agreement. While distribution services are largely satisfied at the inception of an investment the ultimate amount sof revenue are subject to the variable consideration constraint. Accordingly, a portion of distributionandservicerevenuewill be recognized n periods ubsequent the satisfaction of the performance bligation.

Certainfund shareclasses only charge for distributions ervices at the inception of the investment based on a fixed percentage of the shareprice. This fixed price is allocated to the performance bligation, which is substantially satisfied at the time of the initial investment.

Recognition of distribution and service feerevenue under the updated buildance's consistent with LeggMason's prior revenue recognition process.

When Legg Masonentersinto arrangements with brokerdealersor other third parties to sell or market proprietary fund shares distribution and servicing expenses accrued or the amount so wed to third parties including finders' fees and referral fees paid to unafiliated brokerdealersor introducing parties and is recorded as Distribution and servicing expense in the Consolidate Statements f Income (Loss). Distribution and servicing expense also includes payments or third parties for certains hareholde administratives ervices and sub-advisory fees paid to unafiliated assetmanagers.

ContractCostsandDeferredSalesCommissions

Legg Masonincurs ordinary coststo obtain investmentmanagement on tracts and for services provided to customersin accordancevith investmentmanagementagreements. These costs include commission spaid to whole salers employees and third-party broker dealers and administration and placementees. Depending on the type of services provided, these feesmay be paid at the time the contractis obtained or on an ongoing basis. Under the updated uidance costs to obtain a contractshould be capitalized if the costs are incremental and would not have been incurred if the contract had not been obtained and coststo fulfill the contractshould be capitalized f they related irectly to a contract, the costswill generater enhanceesources f the entity that will be used n satisfying performance bligations in the future, and the costs are expected to be recovered. Consistent with prior accounting procedure sund launchcosts including organizational and under writing costs, placement fees and commission spaid to employees wholes alers and broker dealers for sales of fund share are expensed sincurred, as the secost swould be incurred regardles of the investor However commission paid to employees and retail wholes alers in connection with the sale of retail separate ccounts are considered incremental as these fees relate to obtaining a specific contract, are calculated based on specified rates and are recoverable through the managementees earnedandarethereforecapitalized under the updated accountinguidance. Such commission swere expensed sincurred under Legg Mason spot for accounting practices. Capitalized sales commissions are amortized based on the transfer of services to which the assets elate, which average sour years. Legg Mason recorded a cumulative-effect adjustment of \$14,839asanincrease Retaine Earnings on the Consolidate Balance Sheet as of April 1, 2018.

Commissionspaid by Legg Mason to financial intermediaries in connection with sales of certain classes f companysponsored nutual funds are generally capitalized as deferred sales commissions. The assets a mortized over periods not exceedings ix years, which represent he periods during which commissions are generally recovered rom distribution and servicefee revenue and from contingent deferred sales chages ("CDSC") received from shareholder of those funds upon redemption of their shares. CDSC considerations generally variable and is based on the timing of when investors redeem their investment. Therefore, the variable consideration is included in the transaction price once the investors redeem their share and is satisfied at a point in time. CDSC receipts are recorded as distribution and service fee revenue when received and a reduction of the unamortized alance of deferred sales commissions with a corresponding expense. Deferred sales commissions included in Othernon-current assets in the Consolidate Balance Sheets were \$1,895 and \$1,419 at March 31,2020 and 2019, respectively

Under the update daccounting guidance Legg Masonhaselected o expenses alescommission selated to certainfund share classes with amortization periods of one year or less as incurred. Legg Mason recorded a cumulative effect adjustment \$2,576 as a decrease Retained Earnings on the Consolidated Balance Sheet as of April 1, 2018, to reflect the expense associated with such commissions which had previously been capitalized under Legg Mason's prior accounting practices.

Cashand Cash Equivalents

Cashequivalents are highly liquid investments with original maturities of 90i ¿1/2 dayless.

Restricted Cash

Restricted:ashrepresentsashcollateralrequired or markethedgearrangementsotal returnswaparrangementsandother cashthat is not available to Legg Mason for general corporateuse, including cash of consolidated investment/vehiclesand affiliate benefittrust cash.

Financial Instruments

Substantiallyall financial instruments are reflected in the financial statements that approximate air value, except Legg Mason's ong-term debt.

As discussed bovein "Consolidation,"proprietary fund and other investment products with seed capital investments are initially consolidated and the individual securities within the portfolio areaccounted or asequity investments Legg Mason consolidates the seproducts as long as it holds a controlling financial interest in the product. Upon deconsolidation which typically occurs after several years, Legg Mason accounts for its seed capital investments in proprietary fund products as equity method investments further described below) if its ownerships between 20% and 50%, or it otherwise the ability to significantly influence the financial and operating policies of the fund or other product. For partnership and LLCs, where third-party investors may have less ability to influence operations the equity method of accountings considered f Legg Mason's ownership is greater than 3%. Changes in the fair value of seed capital investments are recognized in Other non-operating norme (expense) net, on the Consolidate Statements f Income (Loss).

Legg Masongenerallyredeems its seedcapital investments when the related product establishes sufficient track record, when third-party investments in the related product are sufficient to sustain the strategy or when a decision is made to no longer pursue the strategy. The length of time Legg Masonholds a majority interest in a product varies based on a number of factors, such as market demand market conditions and investment performance.

For equity investments in which Legg Mason does not control the investee and is not the primary beneficiary of a VIE, but can exert significant influence over the financial and operatingpolicies of the investee, Legg Masonfollows the equity methodof accounting. The evaluation of whether Legg Mason can exert control or significant influence over the financial and operation abolicies of an invester equires significant judgment base on the facts and circumstances urrounding each individual investment. Factorsconsidered n these valuations may include investor voting or otherrights, any influence Legg Mason may have on the governing board of the investee the legal rights of other investors in the entity pursuant o the fund's operating documents and the relationship between Legg Mason and other investors in the entity. Legg Mason's equity methodinvestees that are investment companies ecord their underlying investment sat fair value. Therefore under theequitymethods accounting eggMason's hare theinvestee's inderlying netincomeor loss predominantly epresents fair value adjustments in the investment sheld by the equity method investee. Legg Mason's share of the investee's net incomeor lossis based on the most current information available and is recorded as a net gain (loss) on investment swithin Other non-operatingncome (expense) net. A portion of earnings(losses) attributableto Legg Mason's equity method investmentshas offsetting compensationexpenseadjustmentsunder revenue sharing arrangements and deferred compensationarrangements herefore fluctuations in the market value of investments with such offsets will not have a materialimpactonNetIncome(Loss)AttributabletoLeggMason,�Distributionsreceivedromequitymethodnvestees are classified in the Consolidate Statements f CashFlows as either operating or investing activities based on the nature

of the distribution. Legg Mason evaluates equity method investments for impairment when events or changes in circumstance indicate that the carrying value of the investment exceed is fair value, and the decline in fair value is other than temporary

LeggMasonalsoholdsmarketablæquitysecuritieændfixed incomesecuritieswhich areclassifiedasequityinvestments. Certaininvestmentsecuritiesincluding thoseheld by CIVs, are also classified as equity investments. These investments are recorded to fair value and realized and unrealized ains and loss exercise are included in current periode arnings.

Equity and fixed incomese curities are valued using closing market prices for listed instruments or broker price quotations, when available. Fixed income securities may also be valued using valuation models and estimates based on spread so actively traded benchmark debtins truments with readily available market prices.

For investments in illiquid or privately-helds ecurities for which market prices or quotations may not be readily available, managements timates the value of the securities using a variety of methods and resources including the most current available financial information for the investment and the industry As a practical expedient Legg Mason relies on the net assetvalue ("NAV") of certain investments in partnerships and limited liability company as their fair value. The NAVs that have been provided by investees are derived from the fair values of the underlying investments as of the reporting date.

Legg Mason measurescertain investmentsin partnershipsand limited liability companies that do not have readily determinable air values and do not qualify for the NAV practical expedientat "adjusted cost." Under this adjusted cost method, investments are initially recorded at cost, and subsequently adjusted (increased) r decreased) when there is an observable ransaction involving the same investments or similar investments from the same suer Adjusted cost investment carrying values are also reviewed and adjusted or impairment, if any.

See Notes 3 and 20 for additional information regarding Legg Mason's seed capital and other investments and the determination of whether investments in proprietary fund and other investment products represent/IEs, respectively

In addition to the financial instruments described above and the derivative instruments described below, other financial instruments that are carried at fair value or amounts that approximate air value include Cashand cash equivalents and Short-term borrowings. The fair value of long-term debt at March is 1/2020 and 2019, aggregate \$1,970,949 and \$2,270,964 respectively These fair values were estimated using publicly quoted market prices and were classified as Level 2 in the fair value hierarchy as described below.

Derivative Instruments

Thefair values of derivative instruments are recorded so the rassets of the reliabilities on the Consolidate Balance Sheets. Legg Masonuses futures contracts on index funds to hedge the market risk of certainseed capital investments and foreign exchange or wards to hedge the risk of movement exchange at eson certain assets and liabilities. Legg Mason has also entered into various total return swap arrangements with financial intermediaries with respect to certain Legg Mason sponsore ETFs which resulted in investments in the ETFs by the financial intermediaries. In connection with the total return swap arrangements of partially hedge the related market risk. On a limited basis, Legg Mason has also used interestrate swaps to hedge the risks of movement in interestrates on certain financial liabilities.

Legg Mason has not designated any financial instruments for hedgeaccounting as defined in the accounting iterature, during the period spresented. The gains or losses on derivative instruments not designated br hedgeaccounting are included as Otheroperating income (expense) or Otheron-operating income (expense), pet, in the Consolidate Statement of Income (Loss), depending on the strategy SeeNote 17 for additional information regarding derivatives and hedging.

Fair Value Measurements

Accountingguidance for fair valuemeasurements efines fair value and establishes framework for measuring air value. Fair value is defined as the exchange price that would be received for an asset praid to transfera liability in the principal or most advantageouts arkefor the asset r liability in an orderly transaction between market participants on the measurement date. Under accounting guidance a fair value measurement should reflect all of the assumptions hat market participants would use in pricing the asset r liability, including assumptions bout the risk inherent in a particular valuation technique, the effect of a restriction on the sale or use of an asset and the risk of non-performance. The objective of fair value accounting measurements to reflect, at the date of the financial statements ow muchan asset would be sold for in an orderly transaction (asopposed o a distressed r forced transaction) under current market conditions. Specifically it requires the use of judgment o ascertain f a formerly active market has become in active and in determining fair values when markets have become inactive. The guidance also requires timely disclosure segarding expected as flows, credit losses and an aging of securities with unrealized osses.

Fairvalueaccountingguidance lsoestablishea hierarchy that prioritizes the inputs for valuation technique used o measure fair value. The fair value hierarchy gives the highest priority to quote to quote to active markets for identical assets rliabilities and the lowest priority to unobservable nputs.

LeggMason'sfinancial instruments are measured and reported at fair value (exceptiong-termdebt) and are classified and disclosed none of the following categories:

Levelï; 1/4 A instruments for which prices are quoted in active markets, which, for Legg Mason, include investments publicly traded mutual funds with quoted market prices, equities listed in active markets and certain derivative instruments.

Levelï ¿ 1/22 in a decial instruments or which prices are quoted for similar assets and liabilities in active markets prices are quoted for identical or similar assets in inactive markets or prices are based on observable inputs, other than quoted prices, such as models or other valuation methodologies. For Legg Mason, this category includes fixed incomes ecurities certain proprietary fund and other investment products and certain long-term debt.

Levelï ¿1/33 mg/acialinstrumentsfor which values are based on unobservable puts, including those for which there is little or no market activity. For Legg Mason, this category includes investments in partnerships imited liability companies private equity funds, and realest at funds. This category may also include certain proprietary investment products with redemption restrictions and contingent consideration is billities, if any.

The valuation of an assetor liability may involve inputs from more than one level of the hierarchy. The level in the fair value hierarchy in which a fair value measurementalls in its entirety is determine the lowest level input that is significant to the fair value measurement its entirety.

 $Future \\ \texttt{scontract} \\ \texttt{srevalued} \\ \texttt{at the last settlement} \\ \texttt{price at the endof eachday on the exchange upon which they are traded and are classified \\ \texttt{as Level} \\ \texttt{i} \\ \texttt$

For investment in illiquid and privately helds ecurities private equity and investment partnerships for which market prices or quotation may not be readily available management hust estimate the value of the securities using a variety of methods and resources including the most current available financial information for the investment and the industry to which it applies norder to determine fair value. These valuation processes for illiquid and privately-helds ecurities in herently require managementisdgmentandarethereforeclassifiedasLeveliz, 12eggMasonholdsinvestmentisn realestatefundsstructured aspartnershipandlimited liability companies which are classified as Level 3. The fair values of investmentain realestate fundsareprepared yiving consideration the income, costands ale comparison approache of estimating property value. The income approache stimate an income stream for a property and discount this income plus a reversion (presume stale) into a present/alueat a risk adjusted ate. Yield rates and growth assumption stillized in this approachare derived from markettransactionaswell asotherfinancial and industry data. The discountrate and the exit capitalization rate are significant inputsto these valuations. These ates are based on the location, type and nature of each property and current and anticipated marketconditions. The costapproachestimates the replacement cost of the building less physical depreciation plus the land value. The salescomparisorapproach compares ecent transactions to the appraise property Adjustments are made for dissimilarities which typically provide a range of value. Many factors are also considered in the determination of fair value including, but not limited to, the operatingcashflows and financial performance f the properties property types and geographidocations,thephysicalcondition of the asset prevailing market capitalization rates, prevailing market discount

rates, general economic conditions, economic conditions specific to the marketin which the assets are located, and any specific rights or terms associated with the investment. Becaus of the inherent uncertainties of valuation, the values may materially differ from the values that would be determined by negotiation sheld be tweer parties in a sale transaction.

As a practical expedient LeggMason relies on the NAV of certain investment in partnership and limited liability companies, as their fair value. The NAVs that have been provided by investees are derived from the fair values of the underlying investment as of the reporting date. Investment for which fair value is measured using NAV as a practical expedient are not required to be categorized within the fair value hier archy

Any transfersbetweencategoriesaremeasuredat the beginning of the period.

SeeNote3 for additionalinformationregarding air valuemeasurements.

Leases

Effective April 1, 2019Legg Masonadoptedupdatedaccountingguidanceon leases which requires right-of-use ("ROU") assets and lease liabilities to be recorded on the balance heef or leases. The guidance pecifies that at the inception of a contract, an entity must determine whether the contract is or contains a lease. The contract is or contains a lease if the contract conveys the right to control the use of the property plant, or equipment for a designated erm in exchange for consideration Legg Mason is defaultion of its contracts o determine whether they are or contain a lease involves assessing whether there is a right to obtain substantially all of the economide nefits from the use and the right to direct the use of the identified asset in the contract.

LeggMasonadoptedheguidanc@namodifiedretrospectiv@asisonApril 1,2019,andtherelatedamountsin prior periods havenot been restated LeggMasonhasoperating eases that primarily relate to real property and financing leases that relate to equipment. As a practical expedient Legg Masonhase lected to not capitalize leases with a term of 12 monthsor less without a purchas@ptionthatit is likely to exercise. Also as a practical expedien for disclosure LeggMasonhase lected to not separat@easeand non-leas@componentson operating and financing leases. Leasecomponentsor express directly attributable to the use of the underlying asset, while non-leas@componentsore explicit elementsof a contract not directly related to the use of the underlying asset, including pass through operating expenses such as common area maintenance eal estated axes and utilities.

ROU assets and lease liabilities are recognized on the Consolidate Balance Sheet at the present value of the future lease payments over the life of the lease term. As implicit rates for leases are not determinable the Company uses discountrates based on incrementaborrowing rates, on a collateralized basis, for the respective underlying assets for terms similar to the respective asses. Lease costs are included as Occupancy expense in the Consolidate Statements of Income (Loss). Fixed base payments on operating ease paid directly to the less or are recorded as lease expense on a straight-line basis. Related variable payments based on usage, changes in an index or market rate are expensed as incurred. Payments on financing leases are recorded as lease expense on a level-yield basis.

Upon adoption on April 1, 2019, Legg Mason recorded ROU assets f \$342,418 and lease labilities of \$411,115 related to its real property operating eases and equipment financing leases. Legg Mason has sublease or has vacated and is pursuing sublease for certain office space. As of March 31, 2019, the lease reserve lability for sublease of pace and vacated space for which subleases were being pursued of \$24,063 was included in other current and non-current liabilities on the Consolidate Balance Sheet underprior accounting uidance. Upon adoption of the updated guidance the existing lease reserve lability was reclassified as a reduction of the ROU assets ROU assets are tested or impairment when circumstances indicate that the carrying values may not be recoverable.

The adoption of this guidanced id not require a cumulative ffect adjustment rave a material impacton the Consolidated Statements f Income (Loss) or Consolidate Statements f CashFlows.

SeeNote8 for additionalinformation.

Fixed Assets

Fixed assetsprimarily consistof software, leasehold improvements and equipment. Capitalized software includes both purchaseds of tware and internally developeds of tware. Equipment consists primarily of communications and technology hardware and furniture and fixtures. Fixed assets are reported at cost, net of accumulated depreciation and amortization. Depreciation and amortization are determined by use of the straight-line method. Software is a mortized over the estimated usefullives of the assets generally three to five years. Leasehold improvements are amortized or depreciated over the initial

termof the leaseunless options to extendare likely to be exercised Equipments depreciated verthe estimated useful lives of the assets generally ranging from three to eight years. The cost of software used under a service contract where Legg Mason does not own or control the software is expensed ver the term of the contract. Maintenance and repair costs are expensed as incurred. Internally developed software is reviewed periodically to determine if there is a change in the useful life, or if its value has been impaired. If the value is impaired, the assets written down to its fair value or is written off if the assets determined on longer have any value.

Intangible Assetsand Goodwill

LeggMason'sidentifiableintangibleassets onsisprincipally of assetmanagement on tracts contracts omanage proprietary mutual funds, hedgefunds, realest at effunds, or funds-of-hedgefunds, and tradenames resulting from acquisitions. In tangible assets are amortized over their estimated usefullives, using the straight-linemethod, unless the assets determined o have an indefinite usefullife. Assetmanagement on tracts are amortizable intangible assets that are capitalized at acquisition and amortized over the expected ife of the contract. The value of contracts omanages sets in proprietary funds, hedge funds, realest at ends or funds-of-hedgefunds and the value of tradenames are classified as indefinite-life intangible assets. The assignment of indefinite lives to proprietary fund contracts based upon the assumption that there is no foreseeable limit on the contract period to manage proprietary funds due to the likelihood of continued renewal at little or no cost. The assignment of indefinite lives to tradenames based on the assumption that they are expected generate cashflows indefinitely.

Goodwill represent the residual amount of acquisition costin excess of identified tangible and intangible assets and assumed liabilities. Indefinite-life intangible assets and good will are not amortized for financial statemen purposes. Given the relative significance of intangible assets and good will to the Company's consolidated in ancial statements on a quarterly basisLeggMasonconsidersif triggeringeventshaveoccurredthatmayindicatethatthefair valueshavedeclinedbelow their respective arrying amounts. Triggering events may include significant adverse changes in the Company's business or the legal or regulatory environment loss of key personnels ignificant busines dispositions or other events including changes n economicarrangements with our affiliates that will impact future operating results. If a triggering event has occurred, the Company will perform quantitative tests, which include critical reviews of all significant factors and assumptionsp determined any intangible assets r good will are impaired. Legg Mason considers actors such as projected cashflows and revenue multiples, to determine whether the value of the asset is impaired and the indefinite-life assumptions areappropriate. If an assets impaired, the difference between the value of the asset effected on the consolidated in ancial statementandits currentfair value is recognized as an expension the period in which the impairment is determined. If a triggeringeventhashotoccurredtheCompanyperformsquantitativetestsannuallyatOctobeB1for indefinite-lifeintangible assets and good will, unless the Company can qualitatively conclude that it is more likely than not that the respective air valuesexceed the related carrying values. The fair values of intangible assets ubject to amortization are considered or impairmentat each reporting periodusing an undiscounted ashflow analysis.

For intangible assets with indefinite lives, fair value is determined rom a market participant's perspective based on projected discounted as hows, which take into consideration estimates of future revenues profit margins, growth rates, taxes, and discountrates. Proprietary fund contracts that are managed and operated as a single unit and meet other criteria may be aggregated brimpairment testing. Good will is evaluated at the reporting unit level, and is considered or impairment when the carrying value of the reporting unit exceeds the implied fair value of the reporting unit. In estimating the implied fair value of the reporting unit, Legg Masonuses valuation techniques principally based on discounted projected as hows and EBITDA multiples, similar to technique employed in analyzing the purchase price of an acquisition. Good will is deemed to be recoverable at the reporting unit level, which is also the operating segment evel that Legg Mason defines as the Global Asset Management egment. This results from the fact that the consolidate Global Asset Management busines sevel and does not regularly received is cretefinancial information, such as operating results, at any lower level, such as the asset management filiate level. Allocations of good will for management estructures acquisitions and dispositions are based on relative fair values of the respective businessees structure dacquired or divested.

SeeNote5 for additionalinformationregardingntangibleasset and good will and Note19 for additional busines segment information.

Debt

Long-termdebtis recorded at amortized cost. il/ Mamortized remiums discounts debtissuance costs and fair value hedge adjustments elated to long-termdebt are presented in the balance heet as direct adjustments the carrying value of the associated bng-termdebt liability and amortized to Interest expense over the legal term of the associated bt.

Translation of Foreign Curr encies

Assetsandliabilities of foreign subsidiaries that are denominated in non-U.S.dollar functional currencies are translated at exchange ates as of the Consolidate Balance Sheet dates. Revenues and expenses are translated at average exchange ates during the period. The gains or losses resulting from translating foreign currency financial statements to U.S. dollars are included in stockholders' equity and comprehensive income (loss). Gains or losses resulting from foreign currency transactions are included in Net Income (Loss).

Loss Contingencies

LeggMasonaccruesestimates for losscontingencies elated to legal actions, investigations and proceedings exclusive of legal fees, when it is probable that a liability has been incurred and the amount of loss can be reasonable stimated Estimates for losses on matters that exist as of the reporting date may be adjusted prior to the related financial statements suance for changes in likelihood of an outcome or estimable mounts. Related insurance ecoveries are recorded separately when the underwrite thas confirmed coverage of a specific claim amount. See Note 9 for additional information.

Stock-BasedCompensation

Legg Mason'sstock-based ompensation includes restricted stock units, stock options, an employeestock purchase plan ("ESPP"), market-and performance-base plerformances hare spayable in common stock, management equity plans for certain affiliates and deferred compensation payable in stock. Under its stock compensation plans, Legg Mason has issued equity awards to directors, officers, and other key employees. Under the terms of the Merger Agreement Legg Mason may not grant any new awards or amendor modify the terms of any outstanding awards under any of its stock-base d ompensation plans. In addition, the purchase of shares under the ESPP cease of February 2020 and the ESPP will terminate immediately prior to the closing date of the Merger.

In accordance with the applicable accounting uidance compensation expense includes costs for all non-vesters hare-based award classified as equity at their grant date fair value amortized vertherespective vesting periods, which may be reduced for retirement-eligible recipients, on the straight-line method. The grant-date fair value of equity-classified share-based awards with immediate vesting is also included in Compensation and benefits expense. The Merger Agreement provides for the settlement of all outstanding equity award (vested and unvested) contingent ponthe Merger closing. The settlement of unvested awards accommodate Franklin's acquisition of Legg Mason, therefore Legg Mason does not incur any related accelerate dompensation expense.

Excessaxbenefitsanddeficienciesassociated/ith stock-based/ompensationarerecognized/sdiscrete/etemsin theIncome taxprovision(benefit)in theConsolidatestatementer Income(Loss)in thereportingperiodin which they occur potentially increasing the volatility of the Incometax provision(benefit)as a result of fluctuations in LeggMason's stock price. Legg Masonaccounts for forfeitures as they occur Cashflows related to incometax deductions excess of or less than the related stock-based compensation expense re classified as Cash Flows from Operating Activities in the Consolidated Statements CashFlows.

LeggMasondetermineshefair valueof option-likeaffiliate managemenetquityplangrantsusingtheBlack-Scholesptionpricing model, subjectto any post-vestinglliquidity discounts. Performanceshareunits are valued using a Monte Carlo pricing model. SeeNote 12 for additional information regardingstock-base dompensation.

Earnings Per Share

Basicearningspersharættributableto LeggMason,Inc. shareholder ("EPS") is calculatedby dividing Net Income(Loss) Attributableto LeggMason,Inc. (adjustedo removæarningællocatedo participatingsecurities) by the weighted-average numberof sharesoutstandingwhich excludesparticipatingsecurities.LeggMasonhasissuedo employees estricted stock units that are deemedo be participatingsecurities prior to vesting, because the related unvested estricted stock units entitle their holder to nonforfeitabledividend rights. In this circumstance accountingguidance equires i ¿½ two-clæse thodi ٤0 ½ EPScalculations that exclude æarning (potentially both distributed and undistributed) allocated to participating securities and does not allocatelosses to participating securities. Contingently issuables hare ære excluded from share soutstanding for basic EPS until the contingency is resolved. Diluted EPS is similar to basic EPS, but the effect of potential commonshares included in the calculation unless the potential commonshares antidilutive. For periods with a net loss, potential commonshares ther than participating securities are considered antidilutive and are excluded from the calculation. Also, contingently issuables hare are included in diluted EPS for the entire period in which the contingency is resolved.

SeeNote14 for additional discussion of EPS.

Restructuring Costs

As further discussed n Note 18, Legg Masonhasinitiated a strategic estructuring or educecosts. The costs associated with the strategic estructuring primarily related employed ermination benefits, incentives to retain employees during the transition period, charges for consolidating ease office space and other expenses such as professionalees. Termination benefits, including severance and retention incentives, are recorded as Compensation and benefits in the Consolidated Statements f Income (Loss). These compensation terms require employees o provide future service and, therefore, are expensed atably over the required service period. Other costs are expensed when incurred. Charges for consolidating eased office space are recorded n Occupancy in the Consolidated Statements f Income (Loss) and other expenses are recorded in the appropriate period.

Noncontrolling Interests

Noncontrollinginterestsincludeaffiliate minority intereststhird-partyinvestorequityin consolidated ponsore investment products, and vested affiliate management quity plan interests. Affiliate minority interests or which the holder may at some point requests ettlement are classified as redeemable on controlling interests. For CIVs and other consolidated sponsore investment products with third-party investors, the related noncontrolling interests are classified as redeemable noncontrolling interests investors in these funds may request with drawals at any time. Also included in redeemable noncontrolling interests are vested affiliate management quity plan interests or which the holder may at some point request settlements their interests. Redeemable on controlling interests which the holder and a sponsore interests. Redeemable on controlling interests which the holder and a sponsore interests are vested affiliate management quity plan interests or which the holder and a sponsore interests. Redeemable on controlling interests which the holder and a sponsore interests are vested as their estimated settlement alues, except that when such settlement alues are recognized or the consolidated and and and and a sponsore and a

Legg Masonestimates the settlement/alue of noncontrolling interests as their fair value. If reported at fair value on the Consolidate Balance Sheets amounts or affiliate noncontrolling interests and management quity plan interests effect the related total busines enterprise/alue, after appropriate liscounts or lack of marketability and control. The remay also be features of these equity interests such as dividend subordination that are contemplated in their valuations. The fair value of option-like management quity plan interests also relies on Black-Schole sption pricing model calculations. For affiliate noncontrolling interests subsequent b acquisition, busines enterprise/alues are derived using various methods including discounted cashflows, guideline public company and guideline public transaction methods. Legg Mason engages third-party valuation experts to perform independent determinations of fair value or to review internally prepared valuations as appropriate based on the relative significance of the related amounts and related contractual provisions and changes in valuation inputs. For consolidate sponsore the vest ment products, where the investor may request with drawalat any time, fair value is based on market quotes of the underlying securities held by the invest ment products.

Netincome(loss)attributableto noncontrollinginterestsin the Consolidate Statements f Income(Loss) includes the share of netincome(loss) of the respective subsidiary allocated to the minority interest holders.

SeeNote16 for additionalinformation regarding noncontrolling interests.

Related Parties

For its services osponsore the vestmentunds, Legg Masonearnsmanagementes, incentive fees, distribution and service fees, and other revenue and incurs distribution and servicing and other expenses as disclosed in the Consolidate Statements of Income (Loss). Sponsored nestment funds are deemed to be affiliated entities under the related party definition in relevant accounting uidance.

Income Taxes

Deferred incometaxes are provided for the effects of temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements. Deferred income tax assets are subject to a valuation allowance if, in management's pinion, it is more likely than not that these benefits will not be realized. Legg Mason's deferred income taxes principally relate to net operating loss and other carry forward benefits, business combinations, amortization of intangible assets and accrue compensation.

As further discussed Note 7, on Decembe 22, 2017, the Tax Cuts and JobsAct of 2017 (the "Tax Law") was enacted. The Tax Law is complex, materially changed he U.S. corporatein cometax rate from 35% to 21% and included various other changes which impact Legg Mason. The reduction in the U.S. corporate ax rate resulted in a non-cash provisional tax benefit \$220,935 n the yearended March 31,2018, due to the re-measurement certain existing deferred ax assets and liabilities at the new incometax rate. Legg Mason's e-measurement fits deferred ax assets and liabilities was completed during fiscal 2019 and no further adjustments were necessary. The Tax Law has also created new taxes on international operations including its Global Intangible Low-TaxedIncome ("GILTI") provision. Legg Mason has made an accounting policy election to record tax expense on GILT1 inclusions as a period cost if applicable, rather than recognizing deferred taxes for related basis difference expected or reverse.

Underapplicable accountinguidance at a benefit should only be recognized it is more likely thannot that the position will be sustained as edunits technical merits. A tax position that meets this thresholds measured as the largest amount of benefit that has a greater than 50% likelihood of being realized upon settlemenby the appropriate axing authority having full knowledge of all relevant information.

The Company's accounting policy is to classify interestrelated to tax matters as Interest expense and related penalties if any, as Otheroperating expense.

SeeNote7 for additionalinformationregardingincometaxes.

RecentAccounting Developments

In June2016, the Financial Accounting Standard Board (i; #BBi; 14) dated he guidanceon accounting or credit losses on financial instruments and other commitments. The updated guidance replaces the incurred loss impairment method with one that reflects expected redit losses and requires consideration of a broader range of information to support credit loss estimates Legg Mason will adopt this guidance ffective April 1, 2020 and does not expect the adoption of this guidance to have a material impact on the Consolidate Financial Statements.

In January2017, the FASB updated juidance o simplify the test for good will impairment. The updated juidance till requires entities to perform annual good will impairment tests by comparing the fair value of a reporting unit with its related carrying amount, but it eliminates the requirement o potentially calculate the implied fair value of good will to determine the amount of impairment, if any Under the new guidance, an entity should recognize an impairment charge if the reporting unit is carrying amount exceed the reporting unit is fair value, in the amount of such excess The updated juidance will be effective in fiscal 2021. Legg Mason does not expect the adoption of this guidance to have a material impact on the Consolidated Financial Statements.

In August2018, the FASB updated heguidance o clarify accounting or implementation costs incurred for a cloud computing arrangement that is a service contract. The update conforms the requirement for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the accounting uidance that provides for capitalization of costs incurred to develop or obtain internal-use-software egg Mason will adopt this guidance material impact on the Consolidated Financial Statements.

In August2018, the FASB alsoupdated heguidance fair value measurement The updated guidance modifies disclosure requirement based on the revised FASB Conceptual Framework for Financial Reporting inalized in August2018 to improve effectiveness of financial statement disclosures Legg Mason will adopt this guidance on April 1, 2020 with no expected material impact on the disclosure to the Consolidated Financial Statements.

In December 2019, the FASB update dyuidance o simplify the accounting or incometaxes by removing certain exceptions to the general principles of incometax accounting guidance to reduce the costs and complexity of application. These

exceptions relate to intraperiodal locations, deferred tax liabilities with respect to foreign subsidiaries and foreign equity method investments and incometax benefits recognized on interim period losses. The updated guidance loss amends and clarifies other areas of income tax accounting guidance to improve consistency and simplify application. The updated guidance will be effective in fiscal 2022, unless adopted arlier Legg Mason is evaluating to adoption.

In March2020, the FASB issued optional guidance or a limited period to ease the potentiaburder in accounting or reference ratereform on financial reporting. The update provide soptional expedients and exceptions for applying generally accepted accounting principles (i; ½GAAR (i)) tracts hedging relationships and other transaction affected by reference at the update reelective beginning March 12, 2020 through Decembe B1, 2022. Legg Masonis evaluating is adoption.

2. Acquisitions

GramercyEurope(Jersey)Limited

On April 10, 2019, Clarion Partnersacquireda majority stakein GramercyEurope(Jersey)Limited ("Gramercy"), a Europeaneal estateinvestmentbusinesspecializingin pan-Europeanogistics and industrial assets. The transaction requiredan initial cashpaymentof \$10,247(net of cashacquired), which waspaid using existing cashresources and a potential contingent consideration payment of up to i; ½ approximatel, 735(using the foreign exchange at eas of April 10, 2019, for the i; ½3,346 tential payment), due on the fifth anniversary of closing.

In connection with the acquisition, Clarion Partners ecognized an amortizable intangible asset management on tracts asset of \$5,876 with a usefullife of eight years at acquisition, good will of \$20,196 and noncontrolling interest of \$11,715. The fair value of the contingent consideration at acquisition was \$3,389.

Precidian Investments LLC

On January 22, 2016, Legg Masonacquired a minority equity position in Precidiar Investments, LC ("Precidiar"). Under the terms of the transaction, Legg Mason acquired series B preferred units of Precidian that entitle Legg Mason to approximately 20% of the voting and economidate rests of Precidian along with customary preferred equity protections.

On January 21, 2020, Legg Mason provided notice of its intent to convert the preferred units to 75% of the common equity of Precidianon a fully diluted basis for a cashpayment of \$25,000. The transactions subject to satisfaction of certain closing conditions within the nine months following Legg Mason's notice.

Legg Masonaccounts for its investment in Precidian, which is included in Othernon-current assets in the Consolidated Balance Sheets as of March 31, 2020 and 2019, under the equity method of accounting.

3. Investments and Fair Value of Assets and Liabilities

Thedisclosures belowincluded etails of LeggMason's inancial assets and financial liabilities that are measure dat fair value and NAV, excluding the financial assets and financial liabilities of CIVs. See Note 20, Variable Interest Entities and Consolidation of Investment/Pehicles, for information related to the assets and liabilities of CIVs that are measured that remeasure that fair value or NAV.

The fair values of financial assets and (liabilities) of the Company were determined using the following categories of inputs:

	As of March 31, 2020									
�	i I	oted prices n active markets Level 1)	ob i	gnificant other servable inputs .evel 2)			Investments measured at NAV			Total
Assets:										
Cash equivalents	\$	594,514	\$	12,521	\$	�	\$	�	\$	607,035
Equity investments?										
Seed capital investments		48,940		19,538		38,895		1,360		108,733
Investments related to long- term incentive plans		210,891		¹ /2		�		�		210,891
Other investments		12,406		1,577		½';ĭ		�		13,983
Equity method investments:										
Seed capital investments		�		2∕ ¹ ئï		43,059		12,571		55,630
Investments related to long- term incentive plans		½;∦		2∕′;3		�		5,287		5,287
Other investments		¹ /2		2⁄′;۲		48		8,371		8,419
Adjusted cost investments		�		70		19,659		�		19,729
Derivative assets		4,716		½;∦		2∕ئ;ĭ		½;1∕2		4,716
Total	\$	871,467	\$	33,706	\$	101,661	\$	27,589	\$	1,034,423
Liabilities:										
Contingent consideration liabilities ⁽⁶⁾	\$	½;∦	\$	<u>ئ</u> انات	\$	(3,308)	\$	²∕¹;	\$	(3,308)
Derivative liabilities ⁽⁵⁾		(13,872)		�		�		�		(13,872)
Total	\$	(13,872)	\$	¹ /2	\$	(3,308)	\$	2∕′;ئ	\$	(17,180)

				As	of	March 31, 20	19		
�	i	oted prices n active markets Level 1)	ob	gnificant other oservable inputs _evel 2)		Significant nobservable inputs (Level 3)	Investments measured at NAV		Total
Assets:									
Cash equivalents	\$	556,231	\$	20,160	\$	2⁄′غ	\$	�	\$ 576,391
Equity investments?									
Seed capital investments		98,276		30,601		1,455		2,183	132,515
Investments related to long- term incentive plans		211,802		2∕′;ئ		½';3		�	211,802
Other investments		19,486		2,142		¹ /2		�	21,628
Equity method investments:									
Seed capital investments		½ئï		�		40,854		10,675	51,529
Investments related to long- term incentive plans		ï;½		<u>ئ</u> ا;ا		ïź½		11,184	11,184
Other investments		½';ĭ		ź½		1,218		10,251	11,469
Adjusted cost investments		�		74		12,171		�	12,245
Derivative assets		4,183		¹ /2		2⁄ئ;ĭ		½';ĭ	4,183
Total	\$	889,978	\$	52,977	\$	55,698	\$	34,293	\$ 1,032,946
Liabilities:									
Contingent consideration liabilities ⁽⁶⁾	\$	½;∦	\$	½;ئ	\$	(1,415)	\$	�	\$ (1,415)
Derivative liabilities ⁵⁾		(7,579)		�		2⁄ئ;ĭ		�	(7,579)
Total	\$	(7,579)	\$	¹ /2	\$	(1,415)	\$	�	\$ (8,994)
							-		

Ac of March 21 2010

(1) Cashinvestmentsin actively tradedmoney marketfunds are classified as Level 1.�û@estimentsin time deposits and other are measured at amortized cost, which approximate sair value becaus of the short time between purchas of the instrument and its expected ealization and are classified as Level 2.

(2) Includedin Investmentsecuritieson the Consolidated Balance Sheets.

(3) Primarily investments private equity and real estate funds. These equity method investments are investment companies that primarily record underlying investments that raises therefore the fair value of these investments measured sing Legg Mason's share of the investee's inderlying net income or loss, which is predominately representative fair value adjustments in the investment held by the equity method investee. Other equity method investments of measure at fair value on a recurring basis of \$28,373 and \$28,160 as of March 31, 2020 and March 31, 2019, respectively are excluded from the tables above.

(4) Includedin Othernoncurrentassetsin the Consolidated Balance Sheets.

(5) SeeNote 17.

(6) SeeNote 9.

The net realized and unrealized gains (losses) for investment securities classified as equity investment sunder updated investment accounting uidance were \$(33,585) and \$13,628 for the years ended March 31,2020 and 2019, respectively and for investment securities classified as trading investment sunder prior accounting uidance were \$31,012 for the year ended March 31,2018.

Thenetunrealized gains (losses) elating to equity investments till held as of the reporting datewere \$(46,929) and \$(12,878) for the years ended March 31, 2020 and 2019, respectively and relating to trading investments till held as of the reporting datewere \$7,045 for the year ended March 31, 2018.

Seedcapitalinvestments epresent nvestments madeby Legg Masonto fund new investment products and strategies As of March 31, 2020 and 2019, seedcapital investments otaled \$192,760 and \$227,756 respectively with investments nexcess of \$1,000 in 41 funds and 52 funds, respectively comprising over 85% of the total at each periodend. Seedcapital investments presented the tables above xclude \$28,397 and \$43,712 as of March 31,2020 and 2019, respectively which is related to Legg Mason's investments in CIVs. See Note 20 for additional information regarding_egg Mason's investments in CIVs.

The changes in financial assets and (liabilities) measure dat fair value using significant unobservable inputs (Level 3) are presented in the tables below:

Ϊ¿½	Ma	nce as of rch 31, 2019	P	urchases	s S	ales	Re	edemptions/ Settlements/ Other	ansfers	un	ealized and realized gains/ osses), net	alance as of Mar ch 31, 2020
Assets:									 			
Equity investments - seed capital	\$	1,455	\$	39,550	\$	"ز½	\$	(1,457)	\$ �	\$	(653)	\$ 38,895
Equity method investr	nents:											
Seed capital investments		40,854		2,660		∕ئ;ĭ		(3,257)	2∕′;۲		2,802	43,059
Other		1,218		⁄1غï	!	<u>√</u> ;ï		(1,228)	√;ï		58	48
Adjusted cost investments		12,171		14,569		²∕';ï		(9,55 6)	½'غï		2,475	19,659
ï¿1⁄2	\$	55,698	\$	56,779	\$	<u>√'</u> ;ï	\$	(15,498)	\$ ⁄ئ;ا″	\$	4,682	\$ 101,661
Liabilities:									 			
Contingent consideration liabilities	\$	(1,415)	\$	(3,389)		n/a	\$	500	 n/a	\$	996	\$ (3,308)
<u>تز1⁄2</u>	Ma	nce as of rch 31, 2018	P	urchases	s S	ales		edemptions/ Settlements/ Other	ansfers	un	ealized and realized gains/ osses), net	alance as of March 31, 2019
Assets:												
Equity investments - seed capital	\$	1,242	\$	′ <i>1</i> ′2	\$	"زئ	\$	�	\$ �	\$	213	\$ 1,455
Equity method investn	nents:											
Seed capital investments		33,725		9,726		∕′;3		(5,211)	¹ /2		2,614	40,854
Other		¹ /2		2,150		�		(985)	�		53	1,218
Adjusted cost investments		6,951		5,263		�		(2)	�		(41)	12,171
�	\$	41,918	\$	17,139	\$	<u>√'</u> ;ï	\$	(6,198)	\$ √ئ;۳	\$	2,839	\$ 55,698
Liabilities:									 			
Contingent consideration liabilities	\$	(5,607)		n/a		n/a	\$	4,870	n/a	\$	(678)	\$ (1,415)

Realized and unrealized gains and losses recorded for Leveli 2149 estments are included in Other non-operating ncome (expense) net, in the Consolidated Statements fincome (Loss). The change in unrealized gains for Leveli 2149 estments and liabilities still held at the reporting date was \$3,145 \$2,876 and \$927 for the years ended March 31, 2020, 2019 and 2018, respectively

Level 3 purchase for the yearended March 31, 2020 reflect a seed: apitalinvestment a real estate-focuse for individual investors and an adjusted: ostminority investment in a U.K. retirement solutions provider. There were no significant transfers between Level 1 and Level 2 during the years ended March 31, 2020 and 2019.

As a practical expedient LeggMason relies on the NAV of certain investment as their fair value. It is is invested by the investee that the value of the underlying investment as of the respective eporting dates. It is is invested to be a summarized the nature of these investments and any related liquidation restrictions or other factors which may impact the ultimate value realized:

		Fai	r Value Deter	min	ed Using NA		As of March	31, 2020
Category of Investment	Investment Strategy	M	ar ch 31, 2020		March 31, 2019	۔ زخت	Unfunded Commitments	Remaining Term
Funds-of-hedge funds	Global macro, fixed income, long/short equity, natural resources systematic, emging market, European hedge		11,966 (1)	\$	9,910		n/a	n/a
	Fixed income - developed market, even driven, fixed income - hedge, relative value arbitrage, European	t	1 212		1 5 4 5			2/0
Hedge funds	hedge		1,212		1,515		n/a	n/a
Private equity funds	Long/short equity		9,101 (2)		11,636		\$ 5,647	Up to 10 years
Equity method investments related to long-term incentive plans	Alternatives, structured securities, short-dated fixed income		5,287 (2)		11,185		n/a	n/a
Other	Various		23		47		n/a	Various
Total	ï¿1⁄2	\$	27,589	\$	34,293		\$ 5,647	2∕!خï
						-		

n/a - not applicable

(1) Liquidation restrictions: 11% monthly redemptiorand 89% are not subject to redemptioror are not currently redeemable.

(2) Liquidations are expected by ertheremaining term.

There are no current plans to sell any of these investments held as of March 31, 2020.

4. Fixed Assets

The following table reflects the component of fixed asset as of:

	Mar	ch 31, 2020	March 31, 2019		
Software	\$	279,038	\$	269,944	
Leasehold improvements		210,419		212,742	
Equipment		162,372		159,421	
Total cost		651,829		642,107	
Less: accumulated depreciation and amortization		(517,40 6)		(492, 118)	
Fixed assets, net	\$	134,423	\$	149,989	

Depreciationandamortizationexpense elated to fixed assets vas \$44,839 \$48,391 and \$48,382 for the years ended March 31,2020, 2019, and 2018, respectively

5. Intangible Assetsand Goodwill

The following table reflects the component of intangible asset as of:

ï¿1⁄2	Mai	r ch 31, 2020	Μ	arch 31, 2019
Amortizable intangible asset management contracts and other		ï	, ¹ /2	¹ /2
Cost	\$	369,193	\$	366,930
Accumulated amortization		(259,98 2		(240,48 8
Net ⁽¹⁾		109,211		126,442
Indefiniteï¿1/2life intangible assets				
U.S. domestic mutual fund management contracts		2,106,351		2,106,351
Clarion Partners fund management contracts		505,200		505,200
EnTrust Global fund management contracts		126,804		126,804
Other fund management contracts		460,033		473,360
Trade names		48,091		48,602
Ϊ¿1/2		3,246,479		3,260,317
Intangible assets, net	\$	3,355,690	\$	3,386,759

(1) As of March 31, 2020, includes \$5,019 related to the acquisition of Gramercy by Clarion Partners. See Note 2 for additional information.

Certainof Legg Mason'sintangibleassets are denominated in currencies other than the U.S. dollar and balances elated to these assets will fluctuate with changes in the related foreign currency exchanges ates.

Indefinite-life Intangible Assetsand Goodwill

Legg Masonperformedits annualimpairmenttesting of goodwill and indefinite-life intangible assets of October 31, 2019, and determined hat there was no impairment in the value of these assets.

Given the level of market disruption associated with COVID-19, Legg Mason assessed whether a triggering eventhad occurred for each of its identifiable indefinite-life intangible assets and good will as of March 31, 2020. Certain indefinite-life intangible assets were determined to have had triggering events due to a combination of significant market volatility and uncertainty and limited excess air value over the related carrying values as of our most recent quantitative analyses of October 31, 2019. Legg Mason updated the quantitative analyses for these indefinite-life intangible assets as of March 31, 2020 and determined there was no impairment in the value of these assets as further discussed below.

As a result of heighteneduncertaintyregardingfuture market conditions and economicresults, particularly amid the COVID-19 pandemicassessing hefair value of the reportingunit and intangible assets equires management exercise significant judgment.

LeggMason'sgoodwill impairment esting noted the assesser this value of the Global Asset Management businesseporting unit exceede its related: arrying value by 22% LeggMason determined triggering event had not occurre for its good will as of March 31, 2020. The Company notes that the share price and reporting unit fair value has not been significantly impacted by COVID-19 as a result of the Merger Agreement with Franklin Templeton. As previously discussed per the terms of the Merger Agreement Franklin Templeton will acquire all of LeggMason's outstanding common stock for \$50.00 persharen cash, valuing the total transaction at approximatel \$4,500,000 which approximate the fair value of the reporting unit determined in the most recent impairment test, and has been reflected in the trading value of Legg Mason common stock.

The assesse their values of the EnTrust Global indefinite-life fund management on tracts and tradename assets exceeded their respective carrying values of \$126,804 and \$10,300 by 10% and 6%, respectively as of October 31, 2019. Given uncertainmarkets and the relatively limited excess air value as of the most recent impairment test, the EnTrust Global fund management on tracts asset was deemed o have had a triggering event as of March 31, 2020. Legg Mason expanded to most recent analysis of this asset o considers everablifferent outcomes on a probability-weighted basis, with each scenario reflecting reduced evenue grow thrates and lower operating margins, particularly in the near term. Base don this probability-weighted basis, the related fair value exceeded to carrying value by approximately 1% as of March 31, 2020.

The EnTrust Global tradenameasset was also deemed o have had a triggering event and wastested for impairment using the relief from royalty approaches of March 31, 2020. The resulting fair value of the EnTrust Global tradenameasset exceeded the carrying value by approximately 3%.

Shouldmarketperformance flows, and/orrelated AUM levels decrease in the nearterm, or other factors changes uch that cashflow projections deviate from current projections, it is reasonably possible that our indefinite-life intangible assets or good will could be come impaired, and the impairment could be a material amount.

Legg Mason's annual impairment testing process in fiscal 2019 determined that the carrying values of the EnTrust Global indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, and the RARE Infrastructure indefinite-life fund management contracts and trade name assets, an

The impairment chages at EnTrust Global in fiscal 2019 were primarily the result of continued het client outflows from legacy high net worth fund-of-fund products leading to reduced growth expectations in both managementees and performancees, a declining magin, and a higher discountrate. These changes esulted nareduction of the projected as h flows and Legg Mason & erall assessment fair value of the assets such that the carrying values of the EnTrust Global fund management on tracts intangible asset \$401,404 and tradename asset \$28,500 were impaired by \$274,600 and \$18,200 respectively Management estimated he fair values of these assets based upon discounted ashflow analyses as well as a relief from royalty method for the trade name asset, using unobservablemarket inputs, which are Level 3 measurements. Baser evenues elated to the EnTrust Global fund management on tracts on the EnTrust Global fund management (contraction) rates ranging from (19.4)% to 3.9% (average 3.0%), and the projected cashflows from the EnTrust Global fund management on tracts were discounted at 17%. Baser evenues elated to the EnTrust Global trade name asset were assumed to have annual growth rates as used to have annual growth rates and royalty rates of have annual growt

The impairment charges at RARE Infrastructure in fiscal 2019 were primarily the result of lower than expected het client inflows and performance dees, leading to a lower margin, and a higher discountrate. These changes esulted in a reduction of the related projected cashflows and Legg Mason & derall assessment fair value of the assets such that the RARE Infrastructure fund management contracts asset carrying value of approximately \$120,800 and tradename asset carrying value of \$2,800 were impaired by \$65,000 and \$1,000 respectively Management estimated he fair values of these assets based upon discounted ashflow analyses as well as a relief from royalty method or the tradename asset using unobservable market inputs, which are Level 3 measurements. The significant assumptions used in the cashflow analyses included projected revenue growth rates, discountrates, and royalty rates. Baser evenues related to the RARE Infrastructure fund management on tracts were assumed to have annual growth rates ranging from 4.4% to 4.9% (average 4.8%), and the projected cashflows from the RARE Infrastructure fund management on tracts were discounted to the RARE Infrastructure fund management on the RARE Infrastructure fund management on tracts were discounted to the RARE Infrastructure fund management on tracts were discounted to the RARE Infrastructure fund management on tracts and to the RARE Infrastructure fund management on tracts and the rate of the rate of 1.0% and a discount rate of 16.5%

Legg Mason'sannualimpairmenttestingprocessin fiscal 2018 determined hat the carrying value of the EnTrust Global indefinite-life fund management on tracts intangible asset exceeded to fair value, which resulted in an impairment of \$195,000 n the quarterended Decembe & 1,2017. The impairment charge was primarily the result of net client outflows from legacy high net worth fund-of-fund products including transfersof client funds from such products into traditional separate accounts and other direct offerings, and the related decline in revenues. Management estimated he fair value of this assebased uponadis counted as flow analysis using unobservable narked at an puts, which are Level 3 measurements. The significant assumption as each the cashflow analysis included projected evenue growth rates and discount rates. Base revenue selated to the EnTrust Global fund contracts were assumed to have annual growth (contraction) rates ranging from (13)% to 6% (average 5%), and the projected cashflows from the EnTrust Global fund contracts were discounted at 15.0%

As a result of AUM losses and other factors during the threemonths ended June 30, 2017, Legg Mason tested the RARE Infrastructure tradename indefinite-life intangible asset for impairment during the threemonths ended June 30, 2017. The carrying value of the tradename exceeded to fair value of \$3,057 as of June 30, 2017, which resulted in an impairment charge of \$2,000 Management estimated he fair value of the RARE Infrastructure tradename as of June 30, 2017 based upon a relief from royalty approach and a discounted cashflow method using unobservable narket data inputs, which are

Level3 measurements The significant assumption used n the cash flow analysis included projected annual evenue growth rates of 5% to 18% (average 8%), a royalty rate of 1%, and a discount rate of 16.5%

The change in carrying value of good will is summarized below:

	Gross Book/alue		Accum	ulated Impairment	Net BookValue		
Balance as of March 31, 2018	\$ 3,094,255		\$	(1,161,900)	\$	1,932,355	
Impact of excess tax basis amortization		(10,972)		½'غï		(10,972)	
Changes in foreign exchange rates and oth	ner	(37,829)		½'غï		(37,829	
Balance as of March 31, 2019	\$	3,045,454	\$	(1,161,900)	\$	1,883,554	
Impact of excess tax basis amortization		(11,349)		½'غï		(11,349)	
Changes in foreign exchange rates		(44,635)		½'غï		(44,635)	
Business acquisition		20,196		½'غï		20,196	
Balance as of March 31, 2020	\$	3,009,666	\$	(1,161,900	\$	1,847,766	

(1) See Note2 for additional information.

AmortizableIntangible AssetManagementContractsand Other

The rewere no impairments o amortizablemanagement on tractint angible assets during the year ended March 31, 2020.

As of March 31, 2020, amortizable intangible assetmanagement on tracts and other are being amortized over a weighted average maining life of 5.4 years.

Estimatedamortizationexpense for eachof the next five fiscal years and thereafter is as follows:

2021	\$ 21,752
2022	21,403
2023	20,643
2024	19,813
2025	12,038
Thereafter	13,562
Total	\$ 109,211

During the threemonths ended Decembe 61,2018, projected evenue selated to the RARE Infrastructures eparate account contracts asset declined ue to losses of separate account lients and AUM. Based nevised attrition estimates there maining usefullife was decreased to mathematication ended to the ended to t

6. Short-Term Borr owings and Long-Term Debt

Short-termborrowings

Legg Mason maintains an unsecure dredit agreemen (as amended from time to time, the "Credit Agreement") which provides for a \$500,000 multi-currency revolving credit facility. The revolving credit facility may be increased by an aggregate mount of up to \$500,000 subject to the approval of the lenders, expires in December 2020, and outstanding borrowings, if any, can be repaided any time. This revolving credit facility is available to fund working capital needs and for general corporate purposes.

As of March 31, 2020, therewereno borrowingsoutstanding under the Credit Agreement and Legg Masonhad \$500,000 of undrawn revolving credit facility capacity Under the terms of the Merger Agreement Legg Mason may not borrow more than \$30,000 under the revolving credit facility, without the prior consent Franklin Templeton.

On April 3, 2020, Legg Mason borrowed \$250,000 under the Credit Agreement as a precautionary measure o provide additional liquidity for general corporate purposes in the current uncertain market environment.

As further discussed in Note 11, on Decembe 22, 2017, Legg Masonborrowed \$225,500 under the Credit Agreement o purchas \$5,568 shares f Legg Masoncommonstock from Shand Asset Management investment imited ("Shanda"). In March 2018, Legg Masonrepaid \$100,000 of these borrowings. In Septembe 2018, Legg Masonrepaid the remaining \$125,500 of borrowings. There were no borrowing soutstanding sof March 31, 2019.

The revolving credit facility has an interestrate of the three-month Eurocurrency Rateplus 125 basis points and an annual commitment fee of 17.5 basis points. Interestis payableat least quarterly on any amount souts tanding under the Credit Agreement and the interestrate may change in the future base conclusion changes in Legg Mason's credit ratings.

TheCreditAgreementncludesstandardinancialcovenants.Thesecovenantsinclude:maximumnetdebtto EBITDA ratio (asdefinedin the documents) of 3.0 to 1; and minimum EBITDA to interestratio (asdefinedin the documents) of 4.0 to 1. As of March 31, 2020, Legg Mason's netdebtto EBITDA ratio was 1.9 to 1 and EBITDA to interest expense atio was 6.1 to 1, and therefore Legg Mason has maintained compliance with the applicable covenants.

Long-termdebt

Long-termdebt, net, consists of the following:

�	March 31, 2020									/larch 31, 2019
ï¿1⁄2		Carrying Value		Inamortized Discount (Premium)	[Unamortized Debt Issuance Costs		Maturity Amount	(Carrying Value
3.95% Senior Notes due July 2024	\$	248,976	\$	195	Ş	829	\$	250,000	\$	248,738
4.75% Senior Notes due March 2026		447,875		ï¿1⁄2	2	2,125		450,000		447,521
5.625% Senior Notes due January 2044	ł	548,099		(2,907)		4,808		550,000		548,020
6.375% Junior Notes due March 2056		242,665		¹ /2	2	7,335		250,000		242,461
5.45% Junior Notes due September 205	56	485,118		¹ /2	2	14,882		500,000		484,711
2.7% Senior Notes due July 2019		¹ /2		Ϊ¿1⁄2	2	2⁄1;3		∕1;ئ		250,301
Subtotal		1,972,733		(2,712)		29,979		2,000,000	1	2,221,752
Less: Current portion		∕1≀ئآ		ï¿1⁄2	2	¹ /2		ï¿1⁄2		(250,30 1)
Total	\$	1,972,733	\$	(2,712)	ç	\$ 29,979	\$	2,000,000	\$	1,971,451

On July 15, 2019, Legg Mason repaid the \$250,000 f 2.7% Senior Notes due July 2019, using existing cash resources.

As of March31,2020,\$250,000bf LeggMason'slong-termdebtmatures in fiscal 2025 and \$1,750,000 natures after fiscal 2025.

3.95% Senior Notes due July 2024

In June2014, LeggMasonissued\$250,000 of 3.95% SeniorNotesdueJuly 2024 (the "2024Notes"). The 2024Noteswere sold at a discount of \$458 which is being amortized to interest expense over the 10-yearterm. The 2024Notes can be redeemedat any time prior to the scheduled naturity in part or in aggregate at the greater of the related principal amount at that time or the sum of the remaining schedule down and sche

4.75% Senior Notesdue March 2026

In March2016, Legg Masonissued\$450,000of 4.75% SeniorNotesdueMarch2026(the "2026Notes"). The 2026Notes were sold at a discount of \$207. The 2026Notes can be redeemed h partor in aggregate the greate of the related principal amount at the time of redemption or the sum of the remaining schedule dayments discounted at the treasury rate (as defined) plus 0.45% together with any related accrued and unpaid interest.

5.625% Senior Notesdue January 2044

In January2014, Legg Masonissued\$400,000of 5.625% SeniorNotesdue January2044 (the "2044 Notes"), sold at a discountof \$6,260 which is being amortized to interest expense over the 30-yearterm. An additional\$150,000of 2044 Notes were issued in June2014 and were sold at a premium of \$9,779 which is also being amortized to interest expense over the 30-yearterm. All of the 2044 Notes can be redeemed at any time prior to their scheduled maturity in part or in aggregate at the greater of the related principal amount at that time or the sum of the remaining schedule dynamics discounted at the treasury rate (as defined) plus 0.3% together with any related accrued and unpaid interest.

6.375% Junior Subordinated Notes due March 2056

In March 2016, Legg Masonissued\$250,000of 6.375% Junior Notes due March 2056 (the "6.375% 2056 Notes"). The 6.375% 2056 Notes were issued at 100% of the principal amount. The 6.375% 2056 Notes rank junior and subordinate right of payment o all of Legg Mason's current and future senior indebted ness Prior to March 15, 2021, the 6.375% 2056 Notes can be redeemed aggregate but not in part, at 100% of the principal amount. plus any accrued and unpaid interest, if called for a tax event (as defined), or 102% of the principal amount, plus any accrued and unpaid interest, if called for a tax event (as defined). On or after March 15, 2021, the 6.375% 2056 Notes can be redeemed aggregate in part, at 100% of the principal amount, plus any related accrued and unpaid interest.

5.45% Junior Subordinated Notesdue September2056

In August2016,LeggMasonissuedanaggregat@rincipalamountof \$500,000bf 5.45%JuniorNotesdueSeptembe2056 (the"5.45%2056Notes"),thenetproceedsof which,togethewith cashon hand,wereused or repaytheaggregat&500,000 of thenoutstandindporrowingsunderits CreditAgreement.The 5.45%2056Notesrank junior and subordinate in right of paymento all of LeggMason'scurrent and future seniorindebtedness?rior to Septembe15, 2021,the5.45%2056Notes can be redeemedin aggregatebut not in part, at 100% of the principal amount,plus any accrued and unpaid interest, if called for a tax event (as defined in the prospectus upplement) or 102% of the principal amount,plus any accrued and unpaid interest, if called for a rating agency event (as defined in the prospectus upplement) or or after Septembe15, 2021, the 5.45%2056Notes can be redeemedin aggregate or in part, at 100% of the principal amount,plus any related accrued and unpaid interest.

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7. Income Taxes

The components fincome(loss) before incometax provision were as follows:

	2020	2019	2018
Domestic	\$ 324,254	\$ 60,001	\$ 287,229
Foreign	86,280	(31,506)	(53,389)
Total	\$ 410,534	\$ 28,495	\$ 233,840

The components f incometax expense (benefit) were as follows:

	2020		2019		2018
Federal	\$	65,455	\$	24,640	\$ (106,62 1)
Foreign		19,827		(11,34 3)	(16,015)
State and local		20,766		7,264	20,126
Total income tax provision (benefit)	\$	106,048	\$	20,561	\$ (102,510)
Current	\$	8,997	\$	26,716	\$ 38,983
Deferred		97,051		(6,155)	(141,49 3
Total income tax provision (benefit)	\$	106,048	\$	20,561	\$ (102,51)

A reconciliation of the difference between the effective incometax rate and the statutory federal incometax rate is as follows:

	2020	2019	2018
Tax provision at statutory U.S. federal income tax rate	21.0%	21.0%	31.5 %
State income taxes, net of federal income tax benefit	8.2	8.9	7.8
Impact of changes in U.S. fede ila tx Law ⁽²⁾	¹ /2	8.3	(90.1)
Uncertain tax benefits	(3.4)	49.7	1.7
Effect of foreign tax rates	(1.7)	(37.1)	1.7
Changes in U.K. tax rates on deferred tax assets and liabilities	′¿½	�	0.3
Net income attributable to noncontrolling interests	(2.3)	(28.1)	(6.8)
Change in valuation allowances	1.7	23.0	(1.3)
Federal effect of permanent tax adjustments	3.0	33.4	10.5
Other, net	(0.7)	(6.9)	0.9
Effective income tax rate	25.8%	72.2%	(43.8)%

(1) Stateincometaxesincludechangesin valuationallowancesrelated to changein apportion mentand provision to return differences net of the impact on related deferred ax assets.

(2) Includes the impacton deferred tax assets and liabilities and the effects on unremitted foreign earning and other aspects of the Tax Law.

(3) Reserve for uncertaintax benefits were recorded or positions related to prior years for eign, federal, state, and local tax returnfiling as well as for positions reflected in the current yeartax expense accrual. In fiscal 2020, a state audit was resolved avorably and the statute of limitations expired on certaintax returns for which uncertaintax benefit reserves had been established.

(4) The effect of foreign tax rates for fiscal 2019, and 2018 includetax benefits of \$8,711, and \$33,150 respectively for non-cashimpairment chages related to the intangible assets of the EnTrust Global and legacy Permabusinesses soft the rates for fiscal 2019 includes \$21,720 tax benefit for non-cashimpairment chages related to the intangible assets of the RARE Infrastructure businesses.

(5) Seeschedulebelow for the changein valuational lowance by jurisdiction.

(6) Fiscal 2018 includes a 9.0% federal impact (9.7% including state impact) of a non-deductible charge for a regulatory matter discussed Note 9.

On Decembe 22, 2017, the Tax Law was enacted. The Tax Law is complex, materially changed he U.S. corporate tax ratefrom 35% to 21% and included various other changes which impact Legg Mason. The reduction in the U.S. corporate tax rateres ulted in a one-time, non-cash provisional tax benefit of \$220,935 recognized in the quarterended Decembe 61, 2017, due to the re-measurement certain existing deferred ax assets and liabilities at the new incometax rate. In addition, a non-cash ax charge of \$7,260 was provisionally provided in the year ended March 31, 2018, for the effects on unremitted for eign earnings and other aspects of the Tax Law. Legg Mason is resource for the tax assets and liabilities has been completed and no further adjustments were necessary Further Legg Mason is accounting or the tax on unremitted the tax assets and the tax and the tax and the tax on unremitted to the tax and tax and the tax and the tax and the tax and the tax and tax and tax and the tax and tax and

foreign earning shas also been completed and an additional expense of \$2,164 was recorded in the year ended March 31, 2019.

Deferred incometaxes are provided for the effects of temporary differences between the tax basis of an asset r liability and its reported mount in the Consolidate Balance Sheets. These temporary differences esult in taxable or deductible mounts in future years. A summary of Legg Mason's deferred tax assets and liabilities follows:

	2020	2019
DEFERRED TAX ASSETS		
Accrued compensation and benefits	\$ 178,571	\$ 182,734
Accrued expenses	33,952	30,176
Basis diferences, principally for intangible assets and goodwill	32,900	23,480
Operating loss carryforwards	321,022	325,282
Foreign tax credit carryforward	266,671	266,128
Federal benefit of uncertain tax positions	2,421	6,798
Mutual fund launch costs	11,632	12,926
Martin Currie defined benefit pension liability	5,253	8,694
Lease liability (net in 2019)	67,648	9,785
Other	9,294	1,954
Deferred tax assets	 929,364	867,957
Valuation allowance	(137,155)	(134,20 9
Deferred tax assets after valuation allowance	\$ 792,209	\$ 733,748
DEFERRED TAX LIABILITIES		
Depreciation and amortization	\$ 714,693	\$ 636,230
Net unrealized gains (losses) from investments	(1,042)	2,007
ROU asset adjustment	54,618	�
Basis diferences in partnerships	27,001	19,214
Deferred tax liabilities	795,270	657,451
Net deferred tax assets (liabilities)	\$ (3,061)	\$ 76,297

LeggMasonhasvariouslossandtax creditcarryforwardshatmayprovidefuturetax benefits. Related/aluationallowances are established accordance ith accountinguidance or incometaxes if it is management's pinion that it is morelikely thannot that these benefits will not be realized. To the extent the analysis of the realization of deferred ax assets elies on deferred ax liabilities, LeggMasonhasconsidered the timing, nature and jurisdiction of reversals including future increases relating to the tax amortization of good will and indefinite-life intangible assets as well as planning strategies o measure and value the realizability of its deferred ax assets.

Intangible assetimpairment charges recognized at EnTrust Global during the year ended March 31, 2019, resulted in a deferred ax asset \$53,764 for the related basis difference in partnership investments. The related deferred ax asset \$54,112 as of March 31, 2020. See Note 5 for additional information related to these impairment charges.

Substantiallyall of LeggMason'sdeferredtax assetselateto U.S. federal, stateandU.K. taxingjurisdictions. As of March 31, 2020, U.S. federal deferredtax assetsaggregate (\$627,411, realization of which is expected o require approximately \$3,213,00° of U.S. earningsover the next eight years of which approximately \$349,00° must be foreign source dearnings. Basedon estimates of future taxable income, using assumptions imilar to those used in LeggMason's good will impairment testing, it is more likely thannot that substantially of the current federal tax benefits relating to net operating osses will be realized. With respect to deferred tax assetselating to foreign tax credit carry forwards it is more likely thannot that a substantially of foreign tax credit carry forwards it is more likely thannot that a substantially for the company's stimates and assumptions on to contemplate changes in the ownership of LeggMason stock, which could, in certain circum stances imit the utilization of net operating ossend foreign tax credit benefits. Any such limitation would impact the timing or amount of net operating osser foreign tax credit benefits ultimately realized before they expire.

As of March 31, 2020, U.S. statedeferredtax assetsaggregated pproximately \$238,337 net of valuational lowances f \$91,653 and we reprimarily related to statenet operating ossbenefits generated h certain jurisdictions in cases where it is more likely that these benefits will ultimately not be realized.

For foreign jurisdictions, the net increase in valuational lowances \$3,750 during fiscal 2020, was primarily related to current year increases in carried forward U.K. interest deductions offset in part by unrealized gains/losses pension liabilities.

The following deferred tax assets and valuational lowances relating to carry forward shave been recorded at March 31:

	2020		2020		2019	Expires Beginning after Fiscal/ear
DEFERRED TAX ASSETS						
U.S. federal net operating losses	\$	36,639	\$ 38,402	2033		
U.S. federal foreign tax credits		266,671	266,128	2022		
U.S. state net operating losses		260,804	263,870	2020		
U.S. state tax credits		528	444	2022		
Foreign net operating losses		23,579	23,009	2028		
Total deferred tax assets for carryforwards	\$	588,221	\$ 591,853			
VALUATION ALLOW ANCES						
U.S. federal net operating losses	\$	2,155	\$ 2,027			
U.S. federal foreign tax credits		2,400	1,800			
U.S. state net operating losses		91,653	93,185			
Foreign net operating losses		10,744	11,792			
Valuation allowances for carryforwards		106,952	108,804			
Foreign other deferred assets		30,203	25,405			
Total valuation allowances	\$	137,155	\$ 134,209			

(1) Substantiallyall of the U.S. statenet operatinglosses carry forward through fiscal 2035.

(2) Due to potential for change in the factors relating to apportion ment fincome to various states Legg Mason's effective state tax rates are subject to fluctuation which will impact the value of the Company's deferred tax assets including net operating losses and could have a material impact on the future effective tax rate of the Company

Legg Masonhad total grossunrecognized ax benefits of approximately \$55,465 \$78,776 and \$62,728 as of March 31, 2020, 2019, and 2018, respectively Of these totals, approximately \$49,595 \$67,923 and \$52,772, respectively (net of the federal benefit for state ax liabilities) are the amount sof unrecognized benefits which, if recognized would favorably impact future income tax provisions and effective tax rates. During fiscal 2020, the net impact of effective settlement for tax examinations; recent developments of case aw and the expiration of statutes of limitation in certain jurisdictions, resulted in \$13,782 of previously unrecognized benefits being realized.

A reconciliation of the beginning and ending amount of unrecognized prosstax benefits for the years ended March 31 is as follows:

	2020	2019	2018
Balance, beginning of year	\$ 78,776	\$ 62,728	\$ 70,787
Additions based on tax positions related to the current year	970	4,549	7,325
Additions for tax positions of prior years	1,719	15,070	5,011
Reductions for tax positions of prior years	(1,149)	(100)	(4,438)
Decreases related to settlements with taxing authorities	(15,530)	(2,874)	(15,957)
Expiration of statutes of limitations	(9,321)	(597)	�
Balance, end of year	\$ 55,465	\$ 78,776	\$ 62,728

Although management annot predict with any degree of certainty the timing of ultimateres olution of matters underreview by various taxing jurisdictions, it is reasonably possible that the Company of the company of the expiration of statutes of limitations and the completion of tax authorities examinations.

The Companyaccrues interestrelated to unrecognized ax benefits in interest expense and recognize spenalties in other operating expense Legg Masonhad approximately \$1,930 as of March 31,2020 and \$1,937 as of both March 31,2019 and 2018, accrue for interest and penalties on tax contingencies in the Consolidate Balance Sheets.

LeggMason'sprior yeartax returns are subject to examination by taxing authorities in the U.S., the U.K., Brazil, and various other jurisdictions. The following tax years remain open to income tax examination for each of the more significant jurisdictions where Legg Mason is subject to income taxes: after fiscal 2017 for U.S. federal; after calendary ear 2008 for Brazil; after fiscal 2016 for the states f New York, Connecticut California and Maryland. The Company does not anticipate making any significant cash payments with the settlement of the security in excess of amount shath avebeen reserved.

Exceptasnotedbelow, Legg Mason'scontinuingintentionis to permanently einvestsubstantiallyall of the accumulated and future earnings its foreign subsidiaries verseas As of March 31, 2020, Legg Masonhadavailabledomestic cash and cashequivalents of approximately \$288,694 In addition, after giving effect to the \$250,000 borrowed under the Credit Agreement on April 3, 2020, as previously discussed Legg Masonhas \$250,000 of undrawn capacity to meet domestic liquidity needs subject to compliance with applicable coven ant and the terms of the Merger Agreement. Legg Masonplans to utilize up to approximately \$13,000 of foreign cashannually over the next several years to supplement the seamounts and anticipates that all of this amount will be provided by debtservice payments of foreign affiliates. No further repatriation of foreign earnings currently planned. The terms of the Merger and pay any applicable additional U.S. taxes in connection with repatriation of for fish orefunds. The terms of the seamous and the terms of the seamous to utilize up to approximately \$13,000 foreign cashannually over the next several years to supplement the seamounts and anticipates that all of this amount will be provided by debtservice payments of foreign affiliates. No further repatriation of foreign earnings currently planned. The terms of the foreign and pay any applicable additional U.S. taxes in connection with repatriation of for fish orefunds. The terms of the termine the incometax liability that would result from any further repatriation of accumulate doreign earnings.

8. Leases

LeggMasonleasesover1,500squarefeetof office spacewith approximatelyone-thirdcurrentlysubleasedb variousfirms, the majority of which are within the U.S. Office facilities and equipmentareleased undervarious non-cancelable perating leases and certain equipments also leased underfinancing leases. LeggMason's current leases have remaining terms that vary up to 18 years. Certain leases provide for options to extend for periods of up to 15 years and/or options to terminate within seven years

As previously disclosed in Note 1, the lease reserve liability related to our sublease space and vacated space for which sublease a rebeing pursued was \$24,063 as of March 31,2019. Upon adoption of the updated ease accounting uidance on April 1, 2019, the existing Other current and non-current liabilities were reclassified as a reduction of the ROU asset recorded n accordance with the updated guidance.

ROU assets that involve sublease or vacantspace aggregat \$71,257 as of March 31, 2020. These assets may become impaired if tenants are unable to service their obligations under the sublease and/orif the estimate as to occupancy are not realized, either of which may be more likely as COVID-19 impacts evolve.

Leases included in the Consolidated Balance Sheets were as follows:

	Classification	As of N	larch 31, 2020
Operating leases:			
Operating lease ROU assets	Right-of-use assets	\$	290,167
Operating lease liabilities	Lease liabilities		355,483
Finance leases:			
Property and equipment, gross	Right-of-use assets	\$	2,011
Less: accumulated depreciation	Right-of-use assets		(836)
Property and equipment, net		\$	1,175
Finance lease liabilities	Lease liabilities	\$	1,068

The components of lease expense included in the Consolidated Statement of Income (Loss) were as follows:

	Classification	
Operating lease cost	Occupancy expense	\$ 88,020
Financing lease cost:		
Amortization of right-of-use asset	Occupancy expense	988
Interest on lease liabilities	Interest expense	45
Total finance lease cost		1,033
Short-term lease cost	Occupancy expense	6,147
Variable lease cost	Occupancy expense	23,458
Less: sublease billings	Occupancy expense	(24,877)
Net lease cost		\$ 93,781

(1) Variableleasecost includes operating expenses; eal estate and other taxes and other amounts that fluctuate in amount and are therefore excluded from fixed base rent.

(2) Excludesotheroccupancyexpense \$16,841 for the yearended March 31,2020, respectively related to leasehold a mortization.

During the yearended March 31, 2020, in connection with Legg Mason's strategiorestructuring as further discussed in Note 18, it was determined hat the carrying values of certain ROU assets would not be recoverable Related mpairment charges of \$4,328 (exclusive of accelerated epreciation of \$1,603) we rerecognized in the quarterended December 81, 2019, and are included in operating ease cost in the table above and in Occupancy expense in the Consolidate Statement Income (Loss). The fair value of the right-of-use asset related to a substantial portion of the charge was estimated based on a discounted cashflow analysis using various Level 3 assumptions that consider the prevailing rental rates in the applicable market and the amount of time it will taket o secure sublease greement.

Lease expense in curred in the years ended March 31, 2019 and 2018 was \$88,990 and \$84,963 respectively excluding lease holds mortization of \$16,300 and \$15,796 Lease expenses net of sublease in come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 and \$23,316 respectively lease holds are subleased as the come of \$21,435 are subleased as the come of \$21,435 are subleased as tho

Sublease mountabiled are recorded as a reduction of Occupancy expension the Consolidate Statement Income (Loss). The amountabiled are primarily fixed baserent alpayment combined with variable lease costreimbursements Sublease amount related to baserent are recorded on a straight-line basis.

As of March31, 2020, undiscounted uture cashflows for each of the next five fiscal years and thereafter for fixed payments related to operating and finance leases were as follows:

	Operating Leases	Finance Leases	Total
2021	\$ 89,704	\$ 685	\$ 90,389
2022	88,452	262	88,714
2023	86,706	125	86,831
2024	72,626	32	72,658
2025	28,991	4	28,995
Thereafter	23,396	¹ /2	23,396
Totalleasepayments	 389,875	1,108	390,983
Less: Imputedinterest	(34,392)	(40)	(34,432)
Presentvalue of leaseliabilities	\$ 355,483	\$ 1,068	\$ 356,551

As of March 31, 2020, the weighted-average maining lease terms and weighted-average is countrates for operating and finance leases were as follows:

	Operating Leases	Finance Leases
Weighted-average remaining lease term (in years)	4.8	1.9
Weighted-average discount rates	3.9%	3.2%

Supplementatashflow information related to leases was as follows:

	Year Ender	d March 31, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	91,602
Financing cash flows from finance leases		932

With the exception of 4,328 related to the previously discussed impairment of certain ROU assets the rewasno significant non-cashe as eactivity for the year ended March 31,2020.

Underprior accountinguidanceas of March 31, 2019, minimum aggregateental sunderoperating eases were as follows:

	Operating Leases ⁽¹⁾
2020	\$ 90,667
2021	86,095
2022	84,485
2023	83,425
2024	72,192
Thereafter	47,240
Total	\$ 464,104

(1) The minimum rental commitment shave not been reduced by \$97,816 or minimum subleas entals to be received under non-cancelable ubleases.

9. Commitments and Contingencies

As of March31,2020, LeggMasonhadcommitments o invest\$16,372n limited partnership shatmake private investments. These commitments are expected o be outstanding or funded as required, through the end of their respective investment periods ranging through fiscal 2030. Also, in connection with the acquisition of Clarion Partners in April 2016, LeggMason committed to ultimately provide \$100,000 of seed capital to Clarion Partners products.

As of March 31, 2020, Legg Masonalso had future commitments otaling \$87,209 related to multi-year agreements or certainservices of which \$45,297 and \$21,737 will be due in fiscal 2021 and fiscal 2022, respectively The remaining \$20,175 is due through fiscal 2028.

In the normal course of business Legg Mason entersinto contracts that contain a variety of representation and warranties and that provide general indemnifications which are not considered in ancial guarantees y relevant accounting uidance. Legg Mason is that may be made against Legg Mason that have not yet occurred.

Legg Masonhasbeenthe subjectof custome complaints and has also been named as a defendant nvarious legal actions arising primarily from assetmanagements ecurities brokerage and investment banking activities, including certain class actions, which primarily allegeviolations of securities and seek unspecified amages, which could be substantial. In the normal course of its business Legg Masonhas also received subpoen and is currently involved in other governmental and industry self-regulatory agency inquiries, investigation and, from time to time, proceeding involving assetmanagement activities. In accordance with guidance for accounting for contingencies Legg Mason has established provisions for estimated osses from pending complaints legal actions, investigation and proceeding when it is probable that a loss has been incurred and a reasonable stimate of loss can be made.

Therearemattersof litigation and other proceeding sincluding those described bove ascustome complaints legal actions, inquiries, proceeding and investigations where Legg Mason cannot estimate the reasonably possible of loss. The inability to provide a reasonably possible amountor range of losses is not because there is uncertainty as to the ultimate outcome of a matter but because ability and damage is such avenot developed to the point where Legg Mason can conclude that there is both a reasonable possibility of a loss and a meaning fult amountor range of possible dosses. There are numerous aspects o customer complaints, legal actions, inquiries, proceeding and investigations that prevent Legg Mason from estimating a related amountor range of reasonably possible dosses. These aspects include, among other things, the nature of the matters that significant relevant facts are not known, are uncertainor are in dispute; and that damage sough tare not specified, are uncertain, unsupportable runexplained. In addition, for legal actions, discovery may not yet have started, may not be completeor may not be conclusive and meaning fulsettlement discussion snay not have occurred. Further, for regulatory matters, investigations may run their course without any clear indication of wrong doing or fault until their conclusion.

In management's pinion, an adequate accrual has been made as of March 31, 2020 to provide for any probable osses that may arise from matters for which the Company could reasonably estimate an amount. Legg Mason's financial condition, results of operations and cashflows could be materially affected during a period in which probable osses become apparent or a matter is ultimately resolved. In addition, the ultimate costs of litigation-related charges can vary significantly from period-to-period depending on factors such as market conditions, the size and volume of customer complaints and claims, including class actions uits, and recoveries from indemnification, contribution, insurance eimburs ements reductions in compensation and errevenues hare arrangements.

As of March 31, 2020 and 2019, Legg Mason'sliability for losses and contingencies vas not material. Charges incurred relating to litigation and other proceeding suring fiscal 2020 were not material. During fiscal 2019 and 2018, Legg Mason incurred charges relating to litigation and other proceedings of approximately \$4,800 and \$67,500 Total charges for fiscal 2019 and 2018 reflect \$4,151 and \$67,000 respectively related to the resolution with both the U.S. Department of Justice (i ; ½ DO and the SEC staff of a Foreign Corrupt Practice Act investigation concerning the activities of its former Permal business in connection with managing assets of Libyan government abntities in structure setablished by a third-party financial institution. These investments were made in calendary ears 2005 to 2007 and i; ½ were terminated to later than 2012. The matterial not result in restrictions on Legg Mason's ongoing business activities or that of its affiliates.

Merger Agreement

The Companyhas made customary representation and warranties in the Merger Agreement. The Merger Agreement also contain scustomary covenant and agreement including covenant and agreement belating to the conduct of the Company is $\frac{1}{2}$ busines between the date of the signing of the Merger Agreement and the closing of the transaction scontemplated under the Merger Agreement.

The Merger Agreement containscertain termination rights for the Company and Franklin Templeton including the right of the Company to terminate the Merger Agreement o accepts superior proposal subject to specified imitations, and provides that, upon termination of the Merger Agreement by the Company or Franklin Templeton in specified situations, the terminating party will be required to pay a termination fee equal to \$115,000 to the other party.

In addition to the foregoing termination rights, and subject to certain limitations, either party may terminate the Merger Agreement of the Merger is not consummate by February 2021.

In connection with, and subject to, the Merger closing, Legg Masonhascommitted certain severance and retention payments to its employees aggregating up to approximately \$200,000 subject to continuing employment through the closing of the Merger.

Noncontrolling Interests

Legg Masonmay be obligated to settlere deemable on controlling interests related to certain affiliates. As of March 31, 2020, affiliate redeemable on controlling interests, excluding amounts related to management quity plans, aggregated \$525,422 In addition, as of March 31, 2020, the estimated edemption fair value for units under affiliate management quity plans (redeemable and non redeemable) ggregate \$84,695

SeeNotes12 and 16 for additional information regarding affiliate management quity plans and noncontrolling interests, respectively

ContingentConsideration

As further discussed Note2, on April 10,2019, Clarion Partner acquired a majority interestin Gramercy The transaction included a potential contingent consideration ayment of up to \$3,646 (using the foreign exchange ate as of March 31, 2020, for the ï; ½3,305 tential payment), due on the fifth anniver sary of closing upon the achievement of certain financial metrics.

As of March31,2020and2019, contingent consideration iabilities totaling \$3,308and \$1,415 respectively were included in Othernon-currentiabilities in the Consolidate Balance Sheets. During the years ended March31,2019and2018, Legg Masonpaid contingent consideration totaling \$4,869and \$3,242 primarily related to the acquisitions of QS Investors in May 2014 and PK Investment Management Decembe 2015, respectively During the yearended March31,2018, Legg Masonrecorded air value adjustment so taling \$31,329 primarily to reduce the contingent consideration bilities related to the acquisitions of RARE Infrastructure in October 2015 and Martin Currie in October 2014, as no contingent consideration was due for either of the seacquisitions.

10. Employee Benefits

DefinedContribution Plans

Legg Mason, through its subsidiaries maintains various defined contribution plans covering substantially all employees. Through these plans, Legg Mason can make two types of discretionary contributions. One is a profit sharing contribution to eligible plan participants based on a percentage of qualified compensation and the other is a match of employee 401(k) contributions. Matches range from 50% to 100% of employee 401(k) contributions, up to a maximum of the lesser of up to 6% of employee compensation up to the Internal Revenue Service limit. Corporate profit sharing and matching contributions to get he with contributions and eunders ubsidiary plans, totaled \$38,122\$39,191, and \$38,278 n fiscal 2020 2019, and 2018, respectively. In addition, employee can make voluntary contributions under certain plans. Under the terms of the Merger Agreement the Legg Mason 401(k) plan will terminate immediately prior to the closing of the Merger.

Martin Currie DefinedBenefit PensionPlan

Martin Currie sponsors retirementand deathbenefitsplan, a defined benefit pension plan with assets held in a separate trustee-administerended. Planassetsaremeasuredat fair valueand consist of 50% equities (Level 1), 49% bonds (Level 2), and 1% cash(Level 1) as of March 31, 2020, and 64% equities (Level 1) and 36% bonds (Level 2) as of March 31, 2019. Assumptionsusedto determine the expected eturnon planassets argets a 55% / 45% equity/bondallocation with reference to the 15-yearFTSEU.K. Gilt yield for equitiesandU.K. long-datecbondyields for bonds. Planliabilities are measured on an actuaria basis using the projected unit method and discounted at a rate equivalent to the current rate on a high-guality bondin the local U.K. market and currency Therewereno significant concentrations frisk in planasset as of March 31. 2020or 2019. As of March 31, 2020and 2019, \$34, 210and \$41, 189of the total plan assets vere invested in Legg Mason and Martin Currie sponsore drivestmen products. The most recent actuarial valuation was performed as of May 31, 2019, which was updated at the subsequent balances heet date through March 31, 2020. Accrual of service credit under the plan ceasedon October3, 2014. Legg Masonuses the corridor approach to account for this plan. Under the corridor approach, actuarialgains and losses on plan assets and liabilities are deferred and reported as Other comprehensivencome (loss). exceptwhentheactuarialgainsandlosseexceed 0% of the greater of the fair value of the plan assets r the plan benefit obligation, the excess a mortized as Compensation and benefits expense over the recovery period of 15 years. During the yearsendedMarch 31, 2020 and 2019, \$542 and \$260 of such previously unrecognized osses were expensed under the corridor approach.

The resulting net benefit obligation, summarized below, is included in the Consolidate Balance Sheet as Othernon-current liabilities:

	Mar ch 31, 2020		 March 31, 2019	
Fair value of plan assets (at 4.7% and 4.9%, respected weighted-average long-term return)	\$	68,576	\$ 68,830	
Benefit obligation (at 2.3% and 2.4%, respectiveligcount rate)		(81,019	(102,165)	
Unfunded status (excess of benefit obligation over plan assets)	\$	(12,443)	\$ (33,335)	

The change in the benefit obligation is summarized below:

	Years ended March 31,						
Beginning benefit obligation	\$	102,165	\$	102,469			
Interest costs		2,331		2,426			
Actuarial (gain) loss		(17,082)		7,989			
Benefits paid		(2,105)		(3,078)			
Exchange rate changes		(4,290)		(7,641)			
Ending benefit obligation	\$	81,019	\$	102,165			

The change in plan assets is summarized below:

	Years ended				
Beginning plan assets	2020				
	\$ 68,830	\$	67,529		
Actual return on plan assets	2,147		6,384		
Employer contributions	3,044		3,144		
Benefits paid	(2,105)		(3,078)		
Exchange rate changes	(3,340)		(5,149)		
Ending plan assets	\$ 68,576	\$	68,830		

For the yearsendedMarch 31, 2020, 2019, and 2018, a net periodic benefit of \$833, \$734 and \$389, respectively was included in Compensationand benefits expense in the Consolidate Statements f Income (Loss).

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The components of the net periodic gain for the years ended March 31, were as follows:

	2020	2019	2018
Interest costs	\$ 2,331	\$ 2,426	\$ 2,763
Expected return on plan assets	(3,164)	(3,160)	(3,152)
Net periodic benefit	\$ (833)	\$ (734)	\$ (389)

Net actuariallosses \$791 and \$17,807 were included in Accumulated thercomprehensivess, net, in the Consolidated Balance Sheets March 31, 2020 and 2019, respectively

As of March 31, 2020, the plan expects to make benefit payments over the next 10 fiscal years as follows:

2021	\$ 1,906
2022	2,085
2023	2,129
2024	2,576
2025	2,532
2026-2030	15,813

In connection with a review by the Pension Regulator in the U.K. ("the Regulator") of the pension plan's current structure and funding status Martin Currie, the trustees of the pension and the Regulator a revised plan structure on August 10,2017, including the redomiciliation of the plan in the U.K., additional guarantees com Martin Currie entities and provisions for accelerate dunding of a portion of any benefit obligation certain circumstances Martin Currie agreed with the plan trustees to contribute 2,876 (using the exchange at easof March 31, 2020 for the $i_2 \frac{1}{2} 2,320$ nual committed contribution amount) to the plan on an annual basis through May 2024, with a final payment of 1,811 (using the exchange at easof March 31, 2020 for the $i_2 \frac{1}{2} 1,460$ for a payment amount) due in November 2024. As a result of the May 31, 2019 actuarial valuation, Martin Currie and the plan trustees are contemplating evised annual committed contribution amounts.

11. Capital Stock

At March 31, 2020 the authorized humbers of commonand preferred shares were 500,000 and 4,000 respectively At March 31, 2020 and 2019 there were 6,634 and 7,872 shares of common stock, respectively reserved or issuance under Legg Mason's equity plans.

Changes in common stock were as follows:

	Years Ended March 31,			
	2020	2019	2018	
COMMON STOCK				
Beginning balance	85,557	84,606	95,727	
Shares issued for:				
Stock option exercises	1,256	198	472	
Deferred compensation employee stock trust	14	11	11	
Stock-based compensation	1,410	1,137	948	
Shares repurchased and retired	¹ /2	2∕′غ	(12,204)	
Employee tax withholding by settlement of net share transactions	(455)	(395)	(348)	
Ending balance	87,782	85,557	84,606	
Ending balance	87,782	85,557	84,606	

During fiscal 2020, 2019, and 2018, Legg Mason retired 455, 395, and 348 shares respectively of its common stock for \$15,448 \$15,575 and \$13,233 respectively undernets hare settlements for deferred compensation award vesting. In addition, during fiscal 2018, Legg Mason purchase and retired 6,636 shares of its common stock for \$253,643 hrough open market purchases.

In January2015, Legg Mason'sBoard of Directors approved a share repurchase authorization for up to \$1,000,000 for repurchase of Legg Mason commonstock. On December 22, 2017, Legg Mason purchase and retired 5,568 share sof Legg Mason commonstock from Shand afor an aggregate urchase price of \$225,490 Legg Mason'sBoard of Directors approved hepurchase of these shares utilizing the remaining \$169,0190 f Legg Mason commonstock previously authorized for purchase under the January 2015 authorization and authorizing the purchase of an additional \$56,471 of Legg Mason commonstock to complete the transaction. As of March 31, 2020, further purchases f Legg Mason commonstock have not been authorized and are prohibited by the Merger Agreement while the Merger is pending.

The par value of the shares epurchase is chaged to commonstock, with the excess of the purchas price over parfirst chaged against additional paid-in capital, with the remaining balance if any, chaged against retained earnings.

Dividends declared per sharewere \$1.60 \$1.36 and \$1.12 during fiscal 2020 2019 and 2018 respectively Dividends declared ut not paid at March 31,2020 2019 and 2018 were \$34,930 \$29,05 and \$23,623 respectively and are included in Othercurrent iabilities on the Consolidate Balance Sheets. The Merger Agreemen prohibits Legg Mason from increasing its quarterly dividend rates or from paying dividends on dates that are not consistent with pastpractices during the time the Merger is pending.

12. Stock-BasedCompensation

Legg Mason'sstock-based ompensation cludes restricted stock units, stock options, an employeestock purchase plan, marketand performance-based formance hare payable n common stock, affiliate management quity plans and deferred compensation payable in stock. Share available for issuance under the equity incentive stock plan as of March 31, 2020, were 6,331. Options under Legg Mason & duity incentive stock plans have been granted at prices not less than 100% of the fair market value on the date of grant. Options are generally exercisable n equal increments over four years and expire within eight years to 10 years from the date of grant.

	Years Ended March 31,					
		2020		2019		2018
Restricted stock and restricted stock units	\$	52,322	\$	49,282	\$	54,348
Stock options		2,853		4,537		7,478
Employee stock purchase plan		474		611		662
Non-employee director awards		1,000		5,332		3,103
Affiliate management equity plans		1,694		1,025		1,275
Performance share units		8,925		5,065		3,981
Employee stock trust		33		32		28
Total stock-based compensation expense	\$	67,301	\$	65,884	\$	70,875

The components of Legg Mason's total stock-base dompensationexpense vereas follows:

Restricted Stock

 $Restricted {\it stock} and {\it restricted} {\it stock} unit transaction {\it stresummarized} below:$

�	Number of Shares		Weighted- Average Grant DateValue	
Unvested shares at March 31, 2017	3,321	\$	38.92	
Granted	1,460		37.68	
Vested	(1,410)		39.59	
Canceled/forfeited	(72)		38.10	
Unvested shares at March 31, 2018	3,299		38.09	
Granted	1,190		38.93	
Vested	(1,291)		39.72	
Canceled/forfeited	(153)		37.52	
Unvested shares at March 31, 2019	3,045		37.76	
Granted	1,206		35.50	
Vested	(1,412)		38.51	
Canceled/forfeited	(79)		36.67	
Unvested shaes at March 31, 2020	2,760	\$	36.43	

The restricted stock and restricted stock unit transaction seflected in the table above were non-cashrans actions For the years ended March 31, 2020, 2019, and 2018, Legg Mason recognized non-cashrans benefits related to restricted stock and restricted stock unit awards of \$13,553 \$12,767 and \$20,972 respectively. Unamortized compensation cost related to unvested estricted stock awards March 31, 2020, of \$50,757 is expected observed observed weighted-average eriod of 1.6 years.

Clarion performance shares

As part of the acquisition of Clarion Partners in April 2016, Legg Mason granted certain key employees of Clarion Partners a total of 716 performance-based begg Mason restricted share units, which are not included in the unvested share of restricted stock units in the table above, with an aggregate air value of \$11,121, which was included in the purchase price. These restricteds hare units vested upon Clarion Partners achieving a certain level of EBITDA as of March 31,2020.

Stock Options

 $Stock option transaction {\tt s} inder Legg Mason' {\tt s} quity incentive plansare summarize {\tt d} elow:$

�	Number of�Shares	Weighted-Average Exercise Price Per Share
Options outstanding at March 31, 2017	4,593	\$ 38.15
Granted	440	37.79
Exercised	(490)	30.09
Canceled/forfeited	(106)	47.42
Options outstanding at March 31, 2018	4,437	38.78
Exercised	(201)	31.15
Canceled/forfeited	(121)	42.31
Options outstanding at March 31, 2019	4,115	39.05
Exercised	(1,497)	34.56
Canceled/forfeited	(100)	46.79
Options outstanding at March 31, 2020	2,518	\$ 41.41

The total intrinsic value of options exercised during the years ended March 31, 2020, 2019, and 2018, was \$17,476 \$1,084 and \$4,647, respectively At March 31, 2020, the aggregate intrinsic value of options outstanding was \$22,864

The following information summarizes egg Mason's stock option soutstanding t March 31, 2020:

Exercise Price Range	Option Shares Outstanding	Weighted- Average Exercise Price Per Share	Weighted- Average Remaining Life (in years)
\$14.81 - \$25.00	38	\$23.72	0.13
25.01 - 35.00	910	31.38	3.55
35.01 - 55.18	1,570	47.65	3.13
	2,518		

At March31,2020,2019,and2018 options were exercisable or 2,115, 3,233 and 2,867 shares; espectively with a weightedaverage exercise price of \$42.63 \$39.12 and \$37.64 respectively. Stock options exercisable at March 31, 2020, have a weighted average emaining contractualife of 3.0 years. At March 31, 2020, the aggregate htrinsic value of exercisable shares was \$17,283

The following summarizes Legg Mason's stock options exercisable at March 31, 2020:

Exercise Price Range	Option Shares Exercisable	A [.] Exer	eighted- verage cise Price er Share
\$14.81 - \$25.00	38	\$	23.72
25.01 - 35.00	733		31.40
35.01 - 55.18	1,344		49.29
	2,115		

The following information summarizes unvested stock options under Legg Mason's equity incentive plan for the year ended March 31, 2020:

	Number of Shares	Exe	Veighted- Average ercise Price Per Share
Options unvested at March 31, 2019	882	\$	38.78
Vested	(478)		41.99
Canceled/forfeited	(2)		34.77
Options unvested at Mach 31, 2020	402	\$	34.97

For the yearsended March 31, 2020, 2019, and 2018, incometax benefits related to stock options were \$685, \$1,170, and \$2,715, respectively. Unamortized compensation cost related to unvested ptions for 402 shares at March 31, 2020, was \$616, which is expected to be recognized over a weighted-average related to 0.9 years.

Cashreceivedrom exercises f stockoptions under Legg Mason's equity incentive planswas \$43,386 \$6,114, and \$14,072 for the years ended March 31, 2020, 2019, and 2018, respectively. The tax benefit expected to be realized for the tax deductions from these option exercises totaled \$3,289 \$198, and \$1,408 for the years ended March 31, 2020, 2019, and 2018, respectively.

The weighted-average in value of service-base stock options granted during the year ended March 31, 2018, using the Black-Schole soption pricing model was \$8.41.

The following weighted-averagessumptionsvereused in the model for grants:

	Year Ended March 31, 2018
Expected dividend yield	1.71%
Risk-free interest rate	1.92%
Expected volatility	26.91%
Expected life (in years)	5.09

LeggMasonusesan equally weighted combination of both implied and historical volatility to measure xpected/olatility for calculatingBlack-Scholes ption values.

Affiliate ManagementEquity Plans

In connection with the acquisition of Clarion Partnersin April 2016, Legg Mason implemented managemented in the clarion for Clarion Partners that entitles certain of its key employees o participation 15% of the future growth, if any, of the Clarion Partners enterprise value (subject to appropriated is counts) subsequent to the date of the grant. The initial grant under the plan vested immediately and the related grant-date fair value was \$15,200 determined by independent valuation. Future grants under the plan will vest 20% annually over five years, and will result in the recognition of additional compensation expenses ver the related vesting period. Subject to various conditions, including the passage of time, vested plan units can be put to Legg Mason for settlement fair value. Legg Mason can also call plan units, generally post employment for settlement fair value. As of March 31, 2020, the estimated aggregate edemption fair value of units under the plan, as if they were currently redeemable was \$14,300

Effective March 1, 2016, Legg Masonimplemented managemenetquity plan for RoyceInvestmentPartners("Royce") key employees. Under the managemenetquity plan, minority equity interests equivalent to a 24.5% interestin the Royce entity have been source certainkey employees 5.5% of which was issued on March 31, 2019 and resulted n Compensation and benefits expense of \$2,400 which a corresponding increase to Nonredeemable on controlling interest. No additional grants are expected under the plan. Equity holders receive quarterly distributions of a portion of Royce's pre-taxin comein amount sequal to the percentage of ownership represented by the equity they hold, subject to payment of Legg Mason's revenues hare and reasonable expense and subordination provisions in certain cases. As of March 31, 2020, the estimated aggregate edemption fair value of units under the plan, as if they we recurrently redeemable was \$10,800

OnMarch31,2014,LeggMasonimplemented management guityplanand granted units to key employees fits subsidiary ClearBridgeInvestmentsLLC ("ClearBridge")that entitle them to participate in 15% of the future growth, if any of the ClearBridgeenterprisevalue (subject to appropriatediscounts) subsequento the grant date. Independent/valuation determinedheaggregateostof theawardto beapproximatel \$16,000 which was recognized as Compensatio and benefits expension the Consolidated Statements fincome (Loss) over the related vesting periods through March 2019. Total compensationexpense elated to the Clear Bridge affiliate management quity plan was \$1,694 \$2,932 and \$3,103 for the yearsendedMarch31,2020,2019,and2018,respectively The compensationexpense for the yearendedMarch31,2020, includes\$1,600relatedto the modification of the plan settlementeatures which resulted n an increase in the fair value of the awards. This arrangement provides for one-half of the cost to be absorbed by the Clear Bridge incentive pool. Vested plan units can be put to Legg Mason for settlementat fair value, beginning one year after the holder terminates their employment. Legg Mason can also call plan units, generally postemployment for settlement fair value. Changes n control of Legg Masonor Clear Bridgedo not impact vesting, settlementor other provisions of the units. However upon saleof substantiallyall ClearBridgeassetsthe vestingof the units would accelerate and participants would receive a fair valuepaymentin respector their interests under the plan. Future grants of additional plan units will dilute the participation of existingoutstandingunits in 15% of the future growth of the respective filiates' enterprise/alue, if any subsequents the related future grant date, for which additional compensationexpense would be incurred. Further, future grants will not entitle the plan participants collectively, to more than an aggregate 5% of the future growth of the Clear Bridgenter prise value. Upon vesting, the grant-date fair value of vested plan units is reflected in the Consolidate Balance Sheetsas Redeemablenoncontrolling interests through an adjustment to additional paid-in capital. Thereafter redeemable noncontrollinginterests will continue obeadjusted otheultimatemaximum estimated edemption value over the expected term, through retaine dearning adjustments As of March 31, 2020 the estimated aggregate edemption fair value of vested units under the Clear Bridgeplan, as if they we recurrently redeemable was approximatel \$59,595

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Other

LeggMasonhasa qualified ESPPcoveringsubstantiallyall U.S. employeesSharesof commonstockarepurchased the openmarketon behalf of participatingemployeessubject to a 4,500 total sharelimit under the plan. Purchase are made through payroll deductions and Legg Mason provides a 15% contribution towards purchases, which is recorded as Compensationand benefits in the Consolidate Statement of Income (Loss). During the years ended March 31,2020,2019, and 2018, approximately 104, 141, and 128 shares, respectively have been purchased in the open market on behalf of participating employees. In connection with the Merger, the purchase of shares under the ESPPceased in February 2020 and the ESPP will terminate immediately prior to the closing of the Merger.

LeggMasonalsohasanequityplanfor non-employedirectors.Underthecurrentequityplan,directorsmayelectto receive shareof stockor restricted stockunits. Shareondrestricted stockunits issuable underthis equityplan are limited to 625 in aggregateof which 523, 494 and 460 shareover eissued as of March 31,2020,2019,and 2018, respectively As of March 31,2020,2019,and 2018, non-employed irectorsheld 34, 99, and 80 restricted stock units, respectively which veston the grant date and are, therefore not included in the unvested shareover granted 7, 15, and 12, restricted stock units, respectively and 20, 15, and 19, shareover common stock, respectively

In May 2019,2018,and2017,LeggMasongranteccertainexecutiveofficers atotal of 168, 163, and111 performanceshare units, respectively aspart of their fiscal 2019,2018,and2017 incentive awards with aggregate alues of \$6,334 \$5,820 \$3,503 respectively. The vesting of performanceshare units granted in May 2019 and 2018 and the number of shares payableat vesting are determined ased on LeggMason is relative total stockholder eturnand relative organic growth rate of long-termAUM over three-year periods ending March 31, 2022 and 2021, respectively. The record dgrant date fair values per performanceshare unit of \$37.63 and \$35.67, respectively were estimated ased on multiple fair value. Monte Carlopricing models Expense associated with the segrants are adjusted or the level of relative organic growth expected o beultimately achieved The estimated air values for the May 2019 grantrange from \$21.63 to \$45.63 per performanceshare unit and for the May 2018 grantrange from \$18.08 to \$44.46 per performanceshare unit. The vesting of the performance share units granted in May 2017 was determined ased on LeggMason's relative total stockholder eturnover a three-year period ending March 31, 2020. The grant date fair value per unit for the May 2017 performanceshare units of \$31.42 was estimated as of the grant date using a Monte Carlopricing model. The following assumption serves din the Monte Carlo pricing models for the May 2019, 2018, and 2017 grants:

	May 2019	May 2018	May 2017
Expected dividend yield	4.41%	3.49%	2.96%
Risk-free interest rate	2.11%	2.71%	1.47%
Expected (average in 2019 and 2018) volatility	23.96%	26.14%	27.73%

The performance period for the May 2017 grantended on March 31, 2020 and resulted in the issuance f 117 performance shares. Legg Masonalso granted certain executive officers 182 performance hare units in May 2016 with an aggregate award value of \$3,528 The performance period for this grantended on March 31, 2019 and resulted in the issuance of 46 performance hares.

The Merger Agreement provides for the settlement of all outstandingshare-base **e**quity awards (vested and unvested), contingent upon the Merger closing.

Deferred:ompensatiopayablein sharesof LeggMasoncommonstockhasbeengrantedo certainemployeesin anelective plan. The vesting in the plan is immediate and the plan provides for discountsof up to 10% on contributions and dividends. Since January 1, 2015, there are no additional contributions to the plan, with the remaining 201 shares reserved or future dividend distributions. During fiscal 2020, 2019, and 2018, Legg Mason issued 19, 20, and 14 shares respectively under the plan with a weighted-average fair value per share at the grant date of \$34.92, \$29.68 and \$37.63 respectively. The undistributed shares sued under this plan are held in a rabbitrust. Assetsof the rabbitrust are consolidated with those of the employer and the value of the employer's tockheld in the rabbitrust is classified in stockholder equity and accounted for in a mannesimilar to treasury stock. Therefore the shares scomponents of stockholder equity as Employees tock trust and Deferred compensation plan are presented is components of stockholder sequity as Employees tock trust and Deferred compensation plan are presented is components of stockholder sequity as Employees tock trust and Deferred compensation plan are presented is components of stockholder sequity as Employees tock trust and Deferred compensation plan are presented is components of stockholder sequity as Employees tock trust and Deferred compensation plan are presented is components of stockholder sequity as Employees tock trust and Deferred compensation plan are presented is components of stockholder sequity as Employees tock trust and Deferred compensation plan are presented is components of stockholder sequity as Employees tock trust and Deferred compensation plan are presented is components of stockholder sequity as Employees tock trust and 2018, were 427, 456, and 462, respectively

13. Revenue

The following table presentsotal Operating Revenues disaggregated by asset class:

		Years Ended March 31,					
		2020		2019		2018	
Equity	\$	1,160,799	\$	1,213,480	\$	1,288,655	
Fixed Income		1,166,134		1,138,763		1,181,853	
Alternative		502,762		463,883		568,140	
Liquidity		92,430		87,133		101,674	
Total Operating Revenues	\$	2,922,125	\$	2,903,259	\$	3,140,322	

Revenuesby geographidocationare primarily based on the location of the advisoror domicile of fund families managed by Legg Mason and do not necessarily effect where the customerresides or the currency in which the revenues are denominated. The following table presents for all Operating Revenues is aggregated y geographidocation:

		Years Ended March 31,					
		2020		2019		2018	
United States	\$	2,325,306	\$	2,255,989	\$	2,381,155	
United Kingdom		134,126		140,145		206,813	
Other International		462,693		507,125		552,354	
Total Operating Revenues	\$	2,922,125	\$	2,903,259	\$	3,140,322	

Certainsalescommissionspaid in connection with obtaining assetsmanagedn retail separately manage accounts are capitalized as deferred costs. As of March 31, 2020 and 2019, capitalized salescommissions \$8,954 and \$8,126 respectively were included in Other current assets and \$11,396 and \$10,147 respectively were included in Other non-current assets in the Consolidate Balance Sheets. Amortization related to capitalized salescommissions included in Compensation and benefits in the Consolidate Balance Sheets. Amortization related to capitalized salescommissions included in Compensation and benefits in the Consolidate Balance Sheets and \$10,000 (Loss) was \$9,557 and \$9,228 for the years ended March 31,2020 and 2019, respectively There were no impairment osses in relation to the capitalized costs during the years ended March 31,2020 and 2019.

14. Earnings Per Share

The following table presents the computations of basic and diluted EPS:

	Years Ended March 31,											
ï¿1⁄2		2020		2019		2018						
Basic weighted-average shares outstanding for EPS		86,831		85,423		90,734						
Potential common shares:												
Dilutive employee stock options		330		½;∦	2	460						
Performance shares		176		½;∦	2	2∕ئ;ت						
Diluted weighted-average shares outstanding for EPS		87,337		85,423		91,194						
Net Income (Loss)Attributable to�Legg Mason, Inc.	\$	251,367	\$	(28,50 8)	\$	285,075						
Less: Earnings (distributed and undistributed) allocated participating securities	l to	8,095		4,225		10,128						
Net Income (Loss) (Distributed and Undistribut Adocated to Shareholders (Excluding Participating Securities)	\$	243,272	\$	(32,733)	\$	274,947						
Net Income (Loss) per shattributable to Legg Mason, Inc Shareholders												
Basic	\$	2.80	\$	(0.38)	\$	3.03						
Diluted		2.79		(0.38)		3.01						

(1) Relates to the vesting of performance-based egg Mason restricted share units granted to certain key employees of Clarion Partners spart of the Clarion Partners cquisition in April 2016. See Note 12 for additional information.

The weighted-average hare exclude weighted-average nvested estricted share deemedo be participating securities f 2,884 3,092 and 3,327 for the years ended March 31, 2020, 2019, and 2018, respectively

As discussed Note 11, during fiscal 2020,2019, and 2018, Legg Mason retired 455, 395, and 348 sharesof its common stock, undernet sharesettlementsof deferred compensation awardvesting. In addition, during fiscal 2018, Legg Mason purchased and retired 6,636 sharesof its common stock, through open market purchases and also purchased and retired 5,568 sharesof its common stock from Shanda. The total retired shares reduced weighted average haresout standing 374, 355 and 6,050 shares for the years ended March 31, 2020, 2019, and 2018, respectively

Options to purchase ,613 and 1,952 share for the years ended March 31,2020 and 2018, respectively we renot included in the computation of diluted EPS because the presume proceed from exercising such options, including the related unamortized expense exceed the average price of the common share for the period and, therefore the options are deemed antidilutive.

The diluted EPS calculation for the year ended March 31, 2019, excludes 106 potential commons hare shat we reantidilutive due to the net loss for the year

Further, market-andperformance-basedwards, such as those issued to Legg Mason executive officers, are excluded from potential dilution until the designated harket or performance condition is met.

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15. Accumulated Other Comprehensive Loss

Accumulated thercomprehensive sincludes cumulative foreign currency translationadjustment and gains and losses on defined benefit pension plans. The change in the accumulated ranslation adjustment for fiscal 2020 and fiscal 2019 primarily resulted from the impact of changes in the Australian dollar, the British pound, the Brazilian real, the Singapore dollar, and the Japanes gen, in relation to the U.S. dollar on the net assets of Legg Mason's subsidiaries in the U.K., Australia, Brazil, Japan and Singapore for which the pound, Australian dollar, the Singapore and ollar, the real, and the yen, are the functional currencies respectively

A summaryof LeggMason'saccumulated thercomprehensive sasof Marchi ¿ 1/48/asfollows:

	2020	2019
Foreign currency translation adjustment	\$ (194,515)	\$ (113,429)
Changes in defined benefit pension plan	(791)	(17,807)
Total Accumulated other comprehensive loss	\$ (195,306)	\$ (131,236)

Therewereno significant amount reclassified rom Accumulated thercomprehensive ssto the Consolidate Statements of Income (Loss) for the years ended March 31, 2020, 2019, and 2018.

16. Noncontrolling Interests

Net incomeattributable to noncontrolling interest sincluded the following amounts:

	Years Ended March 31,											
ï¿1⁄2		2020		2019		2018						
Net income attributable to redeemable noncontrolling interests	\$	47,228	\$	28,029	\$	42,872						
Net income attributable to nonredeemable noncontrolling interests	g	5,891		8,413		8,403						
Total	\$	53,119	\$	36,442	\$	51,275						

 $The following \ tables present he changes in \ redeemable and nonredeemable on controlling interests:$

	Re	deemable nonc	ontrolling intere	sts	
	Consolidated	V f f:I:			
	investment vehicles ¹⁾ and other	Noncontrolling interests	Management equity plans	Total	Nonredeemable noncontrolling interests ⁽²⁾
Balance as of March 31, 2017	\$ 58,470	\$ 591,254	\$ 28,048	\$ 677,772	\$ 27,798
Net income attributable to noncontrolling interests	6,656	36,216	7∕ئï	42,872	8,403
Subscriptions (redemptions), net, an other	nd 59,921	(2,693)	�	57,228	ïj⁄2
Distributions	<i>1</i> /3	(53,388)	�	(53,388)	(8,470)
Foreign exchange	ï,ź		۔ 1⁄2ن		<u>را</u> ن 1⁄2
Vesting/change in estimated redemption value	¹ /3	2,180	5,250	7,430	½;≀
Balance as of March 31, 2018	125,047	573,950	33,298	732,295	27,731
Net income attributable to noncontrolling interests	776	27,253	�	28,029	8,413
Subscriptions (redemptions), net	(22,193)	<i>ا</i> نت	² ′2 "ئ	(22,19 3)	2⁄ئ;ï
Settlement of áil iate noncontrolling interest put:					
Payment	∕′;ئ	(15,547)	¹ /2	(15,547)	ïز½
Change in redemption value	∕′;ئ	(12,345)	¹ /2	(12,345)	ïز½
Distributions	∕′;ئ	(29,815)	¹ /2	(29,815)	(8,760)
Grants (settlements), net	∕⁄;ئ	∕ئة ي	² (1,325)	(1,325)	2,400
Foreign exchange	∕′;ئ	4,738)	¹ /2	(4,738)	ïز½
Vesting/change in estimated redemption value	<u>ئ</u> ;ئ	1,837	16,178	18,015	<u>"</u> ئ;آ
Balance as of March 31, 2019	103,630	540,595	48,151	692,376	29,784
Net income attributable to noncontrolling interests	12,906	34,322	-		5,891
Subscriptions (redemptions), net	604	¹ نï		454	�
Business acquisition	∕′;ئ	11,715	2⁄′غï	11,715	اً;1∕2
Purchase of af iate noncontrolling interest put:					
Payment (fair value portion)	∕′;ئ		¹ /2		2⁄1غ
Change in redemption value	∕′;ئ		-		2⁄1غ
Distributions	∕′;ئ		-		(6,63 3)
Foreign exchange	∕⁄;ئï	. (1,071)	�	(1,071)	ا′;ئ
Vesting/change in estimated redemption value	^{بر} ن:۲		23,851	28,751	<u>′</u> 'ئï
Balanceas of March 31, 2020	\$ 117,140	\$ 525,422	\$ 71,852	\$ 714,414	\$ 29,042

(1) Related to VIEs and seeded investment products.

(2) Relatedto Roycemanagementequityplan.

The following tables present the changes in redeemable noncontrolling interesting tables (afxclusive of management equity plans):

	Redeemable noncontrolling interests										
		EnTrust Global	Clarion Partners		RARE astructure		Other		Total		
Balance as of March 31, 2017	\$	404,852 \$	113,173	\$	68,747	\$	4,482	\$	591,254		
Net income (loss) attributable to noncontrolling interests		19,709	13,172		3,474		(139)		36,216		
Subscriptions (redemptions), net		�	2⁄1;ئ	, 2	½;1⁄2		(2,69 3)		(2,69 3)		
Distributions		(37,677)	(11,25 3)		(4,317)		(141)		(53,388)		
Foreign exchange		�	¹ /2	, 2	381		�		381		
Change in estimated redemption value		�	2,180		¹ /2		¹ /2		2,180		
Balance as of March 31, 2018		386,884	117,272		68,285		1,509		573,950		
Net income (loss) attributable to noncontrolling interests		9,735	16,127		1,660		(269)		27,253		
Distributions		(15,935)	(11,734)		(2,134)		(12)		(29,815)		
Settlement of all iate noncontrolling interest put:											
Payment		�	¹ /2	, 2	(15,547)		�		(15,547)		
Change in redemption value		�	¹ /2	, 2	(12,345)		�		(12,345)		
Foreign exchange		ï¿1⁄2	"¿1⁄2	, 2	(4,738)		¹ /2		(4,738)		
Change in estimated redemption value		ï¿1⁄2	1,837		½';ĭ		¹ /2		1,837		
Balance as of March 31, 2019		380,684	123,502		35,181		1,228		540,595		
Net income attributable to noncontrolling interests)	14,636	19,518		106		62		34,322		
Business acquisition		�	⁄1′ئï	, 2	½;1⁄2		11,715		11,715		
Distributions		(16,230)	(14,310)		½';ĭ		(2)		(30,542)		
Purchase of a fiate noncontrolling interest:											
Payment (fair value portion)		�	¹ /2	, 2	(8,789)		�		(8,78 9)		
Change in redemption value		�	¹ /2	, 2	(25,708)		�		(25,708)		
Foreign exchange		�	¹ /2	, 2	(790)		(281)		(1,071)		
Change in estimated redemption value		�	4,900		<u>∕</u> ′;نï		<u>∕</u> ′;3′		4,900		
Balance as of Mach 31, 2020	\$	379,090 \$	133,610	\$	½;1⁄2	\$	12,722	\$	525,422		

Redeemableoncontrollinginterestsof 35% of the outstanding equity of EnTrustGlobaland18% of the outstanding equity of ClarionPartnerscane beputby the holders or called by LeggMason for settlementatiar values ubject ovarious conditions, including the passage f time. The amount for noncontrolling interests if reported at fair value in the Consolidate Balance Sheets reflect the total businessent erprisevalue of the combine dentity, after appropriated is count for lack of market ability and control.

On May 10, 2019, Legg Masonpurchasedhe 15% equity interestin RARE Infrastructurcheld by the firm's management teamfor total consideration \$21,988 The initial cashpayment \$11,967, which included related dividends in arrears of \$1,759 waspaid on May 10, 2019. One-half of the remaining balancewaspaid in May 2020 and the remaining one-half will be due two years after closing, subject to certain conditions. The \$11,440 difference between the fair value of the noncontrolling interest on the settlement at eand the total consideration due (excluding dividends in arrears) was recorded as Compensation and benefits in the year ended March 31, 2020. The \$25,708 difference between the fair value and the carrying value of the noncontrolling interest \$34,497 on the settlement at ewas recorded as an increase o additional paid in capital. This purchase was part of Legg Mason's strategic restructuring as further discussed in Note 18, to pursue operational efficiencies between RARE Infrastructure and Clear Bridge intended to reduce costs and enhancegrow th opportunities for both of the businesses.

On July 2, 2018, the corporateminority owner of RARE Infrastructurexercised he put option for its 10% ownership interest. The settlementvalue of \$15,547 was based on the midpoint of the valuations determined by the independent valuation experts appointed by Legg Mason and the corporateminority owner and was paid on October 10, 2018, along with \$981 of dividends in arrears. The \$12,345 difference between the settlement value and the carrying value of the noncontrolling interest of \$27,892 on the settlement datewas recorded as an increase of additional paid in capital.

17. Derivatives and Hedging

LeggMasonusescurrencyforwardsto economicallyhedgetherisk of movementsin exchangeates, primarily betweerthe U.S.dollar, British pound, Australiandollar, Singaporedollar, Japanesgen, andeuro. All derivative transactions for which LeggMasonhascertain legally enforceable ights of set of aregoverned by Internationaß waps and Derivative Association ("ISDA") MasterAgreements. For these derivative transactions, eggMasonhasone ISDA MasterAgreement with each of the significant counterparties, which coverstrans actions with that counterparty Each of the respective SDA agreements provides for legally enforceable ettlement ting and close-out etting betweerLeggMason and that counterparty Other assets ecorded in the Consolidate Balance Sheets as of March 31, 2020 and 2019, were \$4,716 and \$4,183 respectively Other liabilities recorded in the Consolidate Balance Sheets as of March 31, 2020 and 2019, were \$13,872 and \$7,579 respectively

 $\label{eq:loss} Legg Masonalso uses market hedge {\circless} certain seed capital investment {\circless} vertex in the seed capital investment {$

Legg Masonhasnot designated any derivatives as hedging instruments for accounting purposes during the years ended March 31, 2020, 2019, or 2018. As of March 31, 2020, Legg Masonhadopencurrency forward contracts with aggregate notional amounts totaling \$323,031 and open futures contracts elating to see capital investments with aggregate otional amounts otaling \$74,988 With the exception of the total returns waparrangement and related futures contracts discussed below, these amounts are representative of the level of non-hedge esignation derivative activity throughout heye arsended March 31, 2019, 2018, and 2017. As of March 31, 2020, the weighted - average maining contracterms for currency forward contracts was six months and for futures contracts relating to see capital investments was threemonths

Legg Masonhasenterednto varioustotal returns waparrangements with financial intermediaries with respecto certain Legg Masonsponsore **E**TFs, which resulted n investments yeach of the financial intermediaries in the respectiv **E**TF. Under the terms of each of the total returns waparrangements, egg Masonreceives the related investment gains and losses on the underlying shares of the ETF and pays a floating rate on the value of the underlying shares. Each of the total return swaparrangements lows either party to terminate all or part of the arrangements and provides for automatic termination uponoccurrence of certain events. Each financial intermediaries purchase on the related Legg Mason ETF on the date of the transactions. The aggregatenotional amount for the two total returns wapsout standings of March 31, 2020 was \$14,164 with a weighted average maining contracter fix months The floating rate paid on the value of the underlying securities or all total returns waparrangements utstandings of March 31, 2020 was three-month LIBOR plus 1.6%

In connection with the total returns wap arrangement \$, eggMason executed utures contracts with notional amount \$ totaling \$6,128 as of March 31, 2020, to partially hedge the gains and losses recognized on the total returns waps. These contracts had a weighted average maining contract term of three months

As furtherdiscussed Note20, the total returns wap arrangements reatevariable interests in the underlying funds for Legg Mason, and, if significant, Legg Mason is deemed o be the primary beneficiary Accordingly, Legg Mason may consolidate ETF products with significant opentotal returns wap arrangements.

The following table presents the derivative assets and related offsets, if any:

							0	BrossAmount in the Bala			
	Am Re	Gross ounts of cognized Assets	O	Gross Amounts ffset in the Balance Sheet	of	let Amount f Derivative Assets Presented in he Balance Sheet		Financial nstruments	(Cash Collateral	let Amount as of Mar ch 31, 2020
Derivative instruments not	desi	gnated a	s h	edging inst	rur	ments					
Currency forward contracts	\$	4,493	\$	(1,70 9)	\$	2,784	\$	2∕ن;ï	\$	�	\$ 2,784
Futures contracts relation	ng to	:									
Seed capital investments		<i>1</i> /2	, 2	2⁄ئ;ï		;/2	, 2	1,802		2,206	4,008
Total return swaps		�	2	¹ /2		′′غï	2	130		158	288
Total futures contracts		<u>ئ</u> انة	2	<u>∕</u> ئ;ï		′′ئï	2	1,932		2,364	4,296
Total derivative instruments not designated as hedging instruments	s\$	4,493	\$	(1,709)	\$	2,784	\$	1,932	\$	2,364	\$ 7,080

The following table presents the derivative liabilities and relatisets, if any:

								GrossAmounts Not Offset in the Balance Sheet					
	An Re		nts of nized	0	Gross Amounts ffset in the Balance Sheet	of Do Lia Pres the	Amount erivative bilities sented in Balance Sheet		Financial nstruments	C	Cash ollateral		Net Amount as of Mar ch 31, 2020
Derivative instruments not	des	signa	ated a	s h	edging inst	rume	nts						
Currency forward contracts	\$	(11	,482)	\$	4,368	\$	(7,114)	\$	�	\$	²∕¹;ï	\$	(7,114)
Futures contracts relating	ng t	0:											
Seed capital investments			�	2	ا′;ئ		2⁄1;3	2	(3,203)		7,326		4,123
Total return swaps			<u>⁄′'</u> ;ï	2	2⁄ئ;ĭ		∕′;ئ	2	(360)		754	_	394
Total future contracts			�	2	½';ĭ		¹ /2	2	(3,563)		8,080		4,517
Total return swaps			2∕′;۲	2	⁄ئ;ا∕2		¹ /2	2	(3,195)		4,125		930
Total derivative instruments not designated as hedging instruments	\$\$	(11	,482)	\$	4,368	\$	(7,114)	\$	(6,758)	\$	12,205	\$	(1,667)

The following table presents the derivative assets and related offsets, if any:

							 ossAmount n the Bala			
	Am Red	Gross ounts of cognized assets	C the	Gross mounts Offset in e Balance Sheet	of E Pre the	t Amount Derivative Assets esented in e Balance Sheet	 nancial truments	С	Cash ollateral	 et amount as of /larch 31, 2019
Derivative instruments not o	desig	nated as	s he	dging inst	rum	ents				
Currency forward contracts	\$	3,997	\$	(1,874)	\$	2,123	\$ ½غï	\$	�	\$ 2,123
Total return swaps		⁄′;ئ	!	∕′;ئ		¹ /2	2,060		2,310	4,370
Total derivative instruments not designated as hedging instruments	\$	3,997	\$	(1,874)	\$	2,123	\$ 2,060	\$	2,310	\$ 6,493

The following table presents the derivative liabilities and related offsets, if any:

							G	FrossAmount in the Bala			
	Am Re	Gross ounts of cognized abilities	(Gross Amounts Offset in ne Balance Sheet	of I P	let Amount Derivative Liabilities resented in ne Balance Sheet		Financial nstruments	C	Cash Collateral	Net amount as of March 31, 2019
Derivative instruments not	desig	gnated as	s he	edging insti	rur	nents					
Currency forward contracts	\$	(7,465)	\$	2,094	\$	(5,371)	\$	�	\$	¹ /2	\$ (5,371)
Futures contracts relatin to:	g										
Seed capital investmen	ts	<i>1</i> /3	2	�		ï¿1⁄2	2	(1,798)		7,640	5,842
Total return swaps		�	2	½';ĭ		ï¿1∕₂	2	(410)		1,104	694
Total futures contracts			2	½';۲		"زئï	2	(2,208)		8,744	6,536
Total derivative instruments not designated as hedging instruments	\$	(7,465)	\$	2,094	\$	(5,371)	\$	(2,208)	\$	8,744	\$ 1,165

The following table presentsgains (losses) recognized in the Consolidated Statements f Income (Loss) on derivative instruments. As described above, the currency forward contracts and futures and forward contracts for seed capital investment included below are economic interestrate and marketrisk of certain operating and investing activities of Legg Mason.

		Years Ended March 31,											
			20	20		20	19	201	18				
	Income Statement Classification	Gains		Losses		Gains	Losses	Gains	Losses				
Derivatives not designated	d as hedging instru	mei	nts										
Currency forward contrac	cts relating to:												
Operating activities	Other expense	\$	6,534	\$(20,494)	\$	8,881	\$(17,270)	\$ 13,880	\$ (6,774)				
Seed capital investments	Other non- operating income (expense)	•	8,232	(864)		4,904	(930)	494	(2,459)				
Futures contracts relating	g to:												
Seed capital investments	Other non- operating income (expense))	23,298	(13,625)		17,648	(18,416)	222	(24,025)				
Total return swaps	Other non- operating income	•	2,208	(1,752)		3,116	(5,615)	90	(8,721)				
Total return swaps	Other non- operating income (expense)		1,259	(2,569)		4,316	<u>//</u> ;	2,247	(1,142)				
Total gain (loss) from de designated as hedging		\$	41,531	\$(39,304)	\$	38,865	\$(42,231)	\$ 16,933	\$(43,12 1)				

18. Strategic Restructuring

In fiscal 2019, Legg Masoninitiated a strategicrestructuringto reducecosts, which includes corporate and distribution functions, as well as efficiency initiatives at certainsmaller affiliates that operate outside of revenue-sharing rrangements. The strategic restructuring is expected to be substantially complete by the end of fiscal 2021 and Legg Mason does not expect the Merger to have an impact on the strategic restructuring.

This plan involves restructuring costs beginning January 1, 2019, which are primarily comprised of employed ermination benefits and retention incentives expensed weridentified transition periods. The restructuring costs also include charges for consolidating ease diffice space and other costs including professional ees. Legg Mason expects o incurtotal strategic restructuring costs in the range of \$100,000 o \$105,000 hrough March 2021 that are expected or result in future costs avings. Cumulatives trategic restructuring costs in curred through March 31, 2020 were \$80,386

The table below present a summary of changes in the strategia estructuring iability from January 1, 2019 through March 31, 2020, and cumulative charges incurred to date:

	mpensation d benefits		Occupancy	Other		Total
Balance as of January 1, 2019	\$ ⁄1;ئ	2 \$	<u>ئ</u> ان: 1⁄2	\$ ⁄1غï	\$	"ز <u>ا</u> ر
Accrued chages	¹ /2	2	2,090	6,504		8,594
Balance as of March 31, 2019	 <u>را</u> ن:	, 2	2,090	 6,504		8,594
Accrued chages	44,919		4,426	7,887		57,232
Payments	(28,955)		(622)	(13,506)		(43,083)
Balance as of Mach 31, 2020	\$ 15,964	\$	5,894	\$ 885	\$	22,743
Non-cash chages ⁽¹⁾						
Three months ended March 31, 2019	\$ 2⁄ئ;ĭ	ź\$	758	\$ 2⁄ئ;ï	\$	758
Year ended March 31, 2020	12,325		1,477	�	:	13,802
Total	\$ 12,325	\$	2,235	\$ 2⁄1غï	\$	14,560
Cumulative charges incurred through March 31, 2020	\$ 57,244	\$	8,751	\$ 14,391	\$	80,386

(1) Includes stock-based compensation expense and accelerated fixed asset depreciation.

The estimates for the remaining strategic restructuring costs expected to be incurred through fiscal 2021 are as follows:

	Mi	Ν	Maximum	
Compensation and benefits	\$	3,000	\$	4,000
Occupancy		7,000		9,000
Other costs		10,000		12,000
Total	\$	20,000	\$	25,000

While management xpects the total estimated costs to be within the ranged is closed the ultimate nature and timing of the costs may differ from those presented bove.

19. BusinessSegmentInformation

Legg Masonis a global assetmanagement ompany that provides investment management and related services to a wide array of clients. The Company operates in one reportable busines segment, Global Asset Management. Global Asset Management provides investment advisory services to institutional and individual clients and to company-sponsored investment funds. The primary sources of revenue in Global Asset Management reinvestment advisory distribution and administrative ees, which typically are calculated as a percentage f AUM and vary based upon factors such as the type of underlying investment advisory contracts or exceeding performance benchmarks See Note 13 for Total Operating Revenues disaggregate by geographidocation.

The table below reflects our long-lived assets y geographic region as of Marchi 21/231:

INTANGIBLE ASSETS, NETAND GOODWILL	2020	2019	2018
United States	\$ 4,189,706	\$ 4,216,962	\$ 4,384,716
United Kingdom	592,143	592,971	744,552
Other International	421,607	460,380	600,746
Total	\$ 5,203,456	\$ 5,270,313	\$ 5,730,014

20. Variable InterestEntities and ConsolidatedInvestmentVehicles

In accordance with financial accounting standards, egg Mason consolidate sertains ponsored hvestmen products some of which are designated as CIVs. As presented in the table below, Legg Mason concluded t was the primary beneficiary of certain VIEs because the helds ignificant financial interests in the funds. In addition, Legg Mason has entered no various total returns wap arrangements with financial intermediaries with respecto certain Legg Mason sponsore dETFs. Under the terms of the total returns waps Legg Mason has on boords all of the related gains and losses on the underlying ETF investments of these financial intermediaries and therefore has variable interests in ETFs with opentotal returns wap arrangements and, if significant, Legg Mason is deemed to be the primary beneficiary of such ETFs. Because t was determined to be the primary beneficiary of these VIEs, Legg Mason consolidated and designated befollowing funds as CIVs in the Consolidated Balance Sheets as of:

				March	31,							
	202	20		201	9		2018					
	LeggNumber ofMasonConsolidatedInvestmentFundsin Funds ⁽¹⁾			Number of Consolidated Funds	In	Legg Mason vestment Funds ⁽¹⁾	Number of Consolidated Funds	In۱	Legg Vason vestment Fund\$ ¹¹			
Sponsored investment partnerships	2	\$	1,690	2	\$	11,671	2	\$	16,670			
Trust structure foreign mutual funds	5		19,303	7		23,005	4		12,485			
Employee trust structure funds	1		5,188	2		6,215	2		7,328			
ETFs ⁽²⁾	2		2,216	3		2,821	2		7,371			
Total	10	\$	28,397	14	\$	43,712	10	\$	43,854			

(1) RepresentseggMason'smaximumrisk of loss, excluding uncollected advisoryfees.

(2) Underthetotal returns waparrangements, eggMason receives the related nvestmentgains and losses on investments in two of LeggMason's ETFs with notional amounts otaling \$14,164 as of March 31,2020. SeeNote 17 for additional information regarding total returns waps.

The assets of these CIVs are primarily comprised of investments ecurities and as of March 31, 2020, the liabilities of these CIVs were primarily comprised of payables or purchase decurities. Investors and creditors of these CIVs have no recourse to the general creditor assets of Legg Mason beyond its investment in these funds.

SeeNote1 for additional information regarding VIEs, VREs, and the consolidation of investment products.

The following tables reflect the impact of CIVs and other consolidated sponsore investmen products in the Consolidated Balance Sheets and the Consolidated Statements fincome (Loss):

Consolidating Balance Sheets

<i>1</i> ′₂	March 31, 2020						March 31, 2019							
<u>ان ایر ایر ایر ایر ایر ایر ایر ایر ایر ایر</u>	Со	Balance Before nsolidation CIVs and Other ⁽¹⁾	CIVs and Other ⁽¹⁾		eclassifications Eliminations	Consolidated Totals		Balance Before Consolidation of CIVs and Other ¹⁾		n CIVs and Other ¹⁾		Reclassifications & Eliminations	С	onsolidated Totals
Current Assets	\$	1,942,583	\$131,869	\$	(34,828)	\$	2,039,624	\$	1,916,485	\$144,091	\$	(40,720)	\$	2,019,856
Non-current assets		5,945,353	22,313		(1,170)		5,966,496		5,768,265	8,993		(2,992)		5,774,266
TotalAssets	\$	7,887,936	\$154,182	\$	(35,998)	\$	8,006,120	\$	7,684,750	\$153,084	\$	(43,712)	\$	7,794,122
Current Liabilities	\$	925,013	\$ 1,044	\$	¹ /2	\$	926,057	\$	1,104,002	\$ 5,742	\$; ئ;1⁄2	\$	1,109,744
Non-current liabilities		2,543,968	<u>''</u> غï	!	�		2,543,968		2,302,463	<u>′</u> ′ئï	: 	<u>ئ</u> ;۲		2,302,463
Total Liabilities		3,468,981	1,044		�		3,470,025		3,406,465	5,742		;1⁄2		3,412,207
Redeemable Non- controlling interests		597,274	 �		117,140		714,414		588,746			103,630		692,376
Total Stock- holders� Equity		3,821,681	153,138		(153,13 8		3,821,681		3,689,539	147,342		(147,34 2		3,689,539
Total Liabilities and Equity	\$	7,887,936	\$154,182	\$	(35,998)	\$	8,006,120	\$	7,684,750	\$153,084	\$	(43,712)	\$	7,794,122

(1) Otherrepresents on solidated sponsored hvestmen product VREs that are not designated as CIVs.

ConsolidatingStatementsof Income(Loss)

نائ2/2			Yea	ar Ended M	larch	n 31, 2020			
ئز;∕⁄∠	0	Balance Before onsolidation f CIVs and Other ⁽¹⁾		IVs and Dther ⁽¹⁾	Elir	minations	Consolidated Totals		
Total Operating Revenues	\$	2,922,527	\$	1⁄2ن	\$	(402)	\$	2,922,125	
Total Operating Expenses		2,415,473		1,498		(6)		2,416,965	
Operating Income (Loss)		507,054		(1,498)		(396)		505,160	
Total Non-Operating Income (Expense)		(109,42 6		19,726		(4,926)		(94,626)	
Income (Loss) Before Incomaax Provision (Benefit)		397,628		18,228		(5,322)		410,534	
Income tax provision		106,048		ï¿1⁄2		<u>%</u> ;ئ		106,048	
Net Income (Loss)		291,580		18,228		(5,322)		304,486	
Less:��Net income (loss) attributable to noncontrolling interests		40,213		3,464		9,442		53,119	
Net Income (LossAttributable to Legg Mason, Inc.	\$	251,367	\$	14,764	\$	(14,764)	\$	251,367	

(1) Other represents consolidated sponsored investment products (VREs) that are not designated as CIVs.

تز 1⁄2	Year Ended March 31, 2019										
�		Balance Before onsolidation f CIVs and Othef ¹⁾		Vs and other ¹⁾	Elin	ninations	Consolidated Totals				
Total Operating Revenues	\$	2,903,858	\$	∕ئ;ت	\$	(599)	\$	2,903,259			
Total Operating Expenses		2,799,168		1,679		(690)		2,800,157			
Operating Income (Loss)		104,690		(1,679)		91		103,102			
Total Non-Operating Income (Expense)		(76,971)		(2,381)		4,745		(74,607)			
Income (Loss) Before Incomie Provision		27,719		(4,060)		4,836		28,495			
Income tax provision		20,561		∕′;ئ		�	:	20,561			
Net Income (Loss)		7,158		(4,060)		4,836		7,934			
Less:��Net income (loss) attributable to noncontrolling interests		35,666		(1,816)		2,592		36,442			
Net Income (Loss)Attributable to Legg Mason, Inc.	\$	(28,508)	\$	(2,244)	\$	2,244	\$	(28,508)			

(1) Other represents consolidated sponsored investment products (VREs) that are not designated as CIVs.

۲٫۶	Year Ended March 31, 2018							
ï¿1⁄2		Balance Before nsolidation CIVs and CIVs and Othef ¹⁾ Othef ¹⁾		CIVs and Other ¹⁾	Eliminations		С	onsolidated Totals
Total Operating Revenues	\$	3,140,900	\$	¹ /2	\$	(578)	\$	3,140,322
Total Operating Expenses		2,816,022		927		(628)		2,816,321
Operating Income (Loss)		324,878		(927)		50		324,001
Total Non-Operating Income (Expense)		(97,694)		10,046		(2,513)		(90,16 1)
Income (Loss) Before Incomax Provision		227,184		9,119		(2,463)		233,840
Income tax benefit		(102,51 0		<u>ئ</u> انة		ï¿1⁄2		(102,51 0
Net Income (Loss)		329,694		9,119		(2,463)		336,350
Less:��Net income (loss) attributable to noncontrolling interests		44,619		265		6,391		51,275
Net Income (LossAttributable to Legg Mason, Inc.	\$	285,075	\$	8,854	\$	(8,854)	\$	285,075

(1) Other represents consolidated sponsored investment products (VREs) that are not designated as CIVs.

Non-Operatingncome(Expense) of CIVs and Other includes interestincome, interest expense and net gains (losses) on investments.

The consolidation of CIVs has no impacton Net Income(Loss) Attributable to Legg Mason, ï¿1/2Inc.

As of March 31, 2020and 2019, financial assets of CIVs carried at fair value totaling \$93,648 and \$70,197, respectively were valued using Level 1 inputs, \$23,118 and \$55,182 respectively were valued using Level 2 inputs, and \$2,029 and \$12,547, respectively were valued using NAV as a practical expedient. As of March 31, 2019, financial liabilities of CIVs carried at fair value of \$4,217 were valued using Level 2 inputs. There were no financial liabilities of CIVs as of March 31, 2020.

Therewereno transfersbetweerLevelï¿201dLevel2 assetsor liabilities during the yearsendedMarch31, 2020 and 2019

The NAVs used as a practical expedientby CIVs have been provided by the investee and have been derived from the fair values of the underlying investment as of the respective reporting dates. The following table summarizes the nature of these investments and any related liquidation restrictions or other factors, which may impact the ultimate value realized:

		FairVa	alue Deter	rmine	As of March 31, 2020			
Category of Investment	Investment Strategy	March 3	1, 2020	Ma	arch 31,	2019	Unfunded ï¿ © ommitments	Remaining Term
Hedge funds	Global macro, fixed income, long/short equity, systematic, emeging market, U.S. and European hedge	\$	2,029 (1)	\$		12,547	n/a	n/a

n/a-notapplicable

(1) Redemptionrestrictions: 11% monthly redemption 89% quarterly redemption.

Legg Mason'scarrying value and maximum risk of loss for VIEs in which Legg Masonholds a variable interest, but for which it was not the primary beneficiary were as follows:

تز 1⁄2	As of March 31, 2020					As of March 31, 2019			
	Cor	y Inter ests on the solidated nce Sheet ¹⁾	Ma Risk	aximum of Loss ⁽²⁾	o Con	y Interests n the solidated ce Sheét ⁾	Ma Risk	aximum of Loss ⁽²⁾	
Real Estate Investmentusts	\$	2,922	\$	5,442	\$	10,812	\$	15,241	
Other investment funds		33,365		52,230		25,155		45,897	
Total	\$	36,287	\$	57,672	\$	35,967	\$	61,138	

(1) Amountsarerelated to investment sin proprietary and other fund products.

(2) Includesequity investments he Company has made or is required to make and any earned out uncollected managementees.

The Company'stotal AUM of unconsolidated/IEs was \$31,325,927 and \$29,025,764 as of March 31, 2020 and 2019, respectively

The assets of these/IEs are primarily comprised of cashand cashequivalents and investments ecurities and the liabilities are primarily comprised of various expense accruals. These/IEs were not consolidated ecaus degg Mason does not have both the power to direct significant economic activities of the entity and rights/obligations associated with benefits/losses that could be significant to the entity.

21. Subsequent Event

On April 3, 2020, Legg Mason borrowed \$250,000 under the Credit Agreementas a precautionary measure o provide additional liquidity for general corporate purposes in the current uncertain market environment.

QUARTERLY FINANCIAL DATA (Dollars in thousands, except per sharmounts or unless otherwise noted) (Unaudited)

Quarter Ended							
	1⁄23′ئMar.ï	1	23′;Dec.ï	5	Sept.ï¿1⁄23	0、	June 30
\$	719,587	\$	753,914	\$	743,264	\$	705,360
	553,333		623,920		618,287		621,425
	166,254		129,994		124,977		83,935
	(65,289		(5,327)		(19,692)		(4,318)
_	100,965		124,667		105,285		79,617
	25,582		33,664		28,754		18,048
	75,383		91,003		76,531		61,569
_	11,224		16,228		9,448		16,219
\$	64,159	\$	74,775	\$	67,083	\$	45,350
ehold	ers:						
\$	0.71	\$	0.83	\$	0.75	\$	0.51
	0.70		0.83		0.74		0.51
	0.40		0.40		0.40		0.40
\$	730,816	\$	803,534	\$	781,796	\$	780,239
	782,444		791,704		779,848		765,918
	\$ 	\$ 719,587 553,333 166,254 (65,289 100,965 25,582 75,383 11,224 \$ 64,159 eholders: \$ 0.71 0.70 0.40 \$ 730,816	\$ 719,587 \$ 553,333 166,254 (65,289) 100,965 25,582 75,383 11,224 \$ 64,159 \$ 0.71 \$ 0.70 0.40 \$ 730,816 \$	Mar.�31 Dec.�31 \$ 719,587 \$ 753,914 553,333 623,920 166,254 129,994 (65,289) (5,327) 100,965 124,667 25,582 33,664 75,383 91,003 11,224 16,228 \$ 64,159 \$ 74,775 eholders: \$ 0.71 0.83 0.70 0.83 0.40 0.40 \$ 730,816 \$ 803,534	Mar.�31 Dec.�31 S \$ 719,587 \$ 753,914 \$ 553,333 623,920 166,254 129,994 (65,289) (5,327) 100,965 124,667 25,582 33,664 3 100,965 75,383 91,003 11,224 16,228 \$ 64,159 \$ 74,775 \$ eholders: \$ 0.71 0.83 \$ 0.70 0.83 0.40 0.40 \$ 730,816 \$ 803,534 \$	Mar.31 Dec.31 Sept.�31 \$ 719,587 \$ 753,914 \$ 743,264 553,333 623,920 618,287 166,254 129,994 124,977 (65,289 (5,327) (19,692) 100,965 124,667 105,285 25,582 33,664 28,754 75,383 91,003 76,531 11,224 16,228 9,448 \$ 64,159 \$ 74,775 \$ 67,083 eholders: \$ 0.71 0.83 0.75 0.70 0.83 0.74 0.40 0.40 \$ 730,816 803,534 \$ 781,796 \$	Mar.�31 Dec.�31 Sept.�30 \$ 719,587 \$ 753,914 \$ 743,264 \$ 553,333 623,920 618,287 \$ 166,254 129,994 124,977 \$ (65,289 (5,327) (19,692) \$ 100,965 124,667 105,285 \$ 25,582 33,664 28,754 \$ 75,383 91,003 76,531 \$ 11,224 16,228 9,448 \$ \$ 64,159 \$ 74,775 \$ 67,083 \$ eholders: \$ 0.71 0.83 0.75 \$ \$ 730,816 \$ 803,534 \$ 781,796 \$

(1) Due to rounding of quarterly results, total amounts for fiscal yearmay differ immaterially from the annual results.

	Quarter Ended							
Fiscal 2019 ⁾				23′¿√¿Dec.ï	1	Sept.ï¿1∕₂3	0	June 30
Operating Revenues	\$	692,605	\$	704,322	\$	758,427	\$	747,905
Operating Expenses, excluding Impairment of intangible asset	s	614,480		575,549		622,699		622,229
Impairment of intangible assets		¹ /2		365,200		<u>∕</u> ′;	, 2	¹ /2
Operating Income (Loss)		78,125		(236,427)		135,728		125,676
Non-Operating Income (Expense)		(2,843)		(30,317)		(24,811)		(16,636)
Income (Loss) before Incomeax Provision (Benefit)		75,282		(266,744)		110,917		109,040
Income tax provision (benefit)		20,396		(60,35 4)		29,844		30,675
Net Income (Loss)		54,886		(206,390)		81,073		78,365
Less: Net income attributable to noncontrolling interests		5,399		10,498		8,270		12,275
Net Income (LossAttributable to Legg Mason, Inc.	\$	49,487	\$	(216,888)	\$	72,803	\$	66,090
Net Income (Loss) per shafteributable to Legg Mason,�Inc.	Sha	areholders	:					
Basic	\$	0.56	\$	(2.55)	\$	0.82	\$	0.75
Diluted		0.56		(2.55)		0.82		0.75
Cash dividend declared per share		0.34		0.34		0.34		0.34
Assets Under Management (in millions):								
End of period	\$	757,982	\$	727,213	\$	755,450	\$	744,564
Average		748,681		739,324		750,244		749,542

(1) Due to rounding of quarterly results, total amounts for fiscal yearmay differ immaterially from the annual results.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

As of March 31, 2020, Legg Mason'smanagement ncluding the Chief ExecutiveOfficer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of Legg Mason's disclosure controls and procedures in evaluating the disclosure controls and procedures management ecognized that any controls and procedures no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management ecossarily was required to apply its judgment in evaluating the cost-benefit elationship of possible controls and procedures Based on that evaluation Legg Mason's management ncluding its Chief ExecutiveOfficer and its Chief Financial Officer, concluded that Legg Mason's disclosure controls and procedures were effective on a reasonable surance basis. Other than describe below, there have been no changes in Legg Mason's internal control over financial reporting that occurred during the quarterended March 31, 2020 that have materially affected, or a rereasonably ikely to materially affect, Legg Mason's internal control over financial reporting.

In February2020, Legg Mason completed ts expansion of an existing general ledger system to include all of its principal subsidiaries of urther improve the overall system of internal controls over financial reporting and ultimately provide efficiencies from one common general ledger system. The system expansion was significant and complex, resulting in the modification of certain internal controls.

Legg Mason's Report of Management on Internal Control Over Financial Reporting and PricewaterhouseCoopers� Report of Independen Registered Public Accounting Firm, which containsits attestation report on Legg Mason's internal control over financial reporting, are included in Itemï¿ 268 his Report and are incorporated here inby reference.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

DIRECTORSAND EXECUTIVE OFFICERS

Information concerningour executiveofficers and membersof our Board of Directors is set forth below. There are no family relationship setween any of our directors and executiveofficers. Except for Trian, none of the organizations identified below with which an officer has previously been employed or with which a director is employed or associated is a parent, subsidiary or affiliate of Legg Mason.

ExecutiveOfficers

JosephA. Sullivania by ographical information is set for the below under the heading is 1/2 Directors is 1/2.

Peter H. Nachtwey age64, was electedChief FinancialOfficer and SeniorExecutiveVice Presidentof Legg Masonin January2011 whenhejoined the firm. From July 2007 through Decembe 2010, Mr. Nachtweyserved as Chief FinancialOfficer of The Carlyle Group, an alternative investment management firm, where he had responsibility for all of the financial and a number of the operational functions at the firm. Prior to The Carlyle Group, Mr. Nachtweyspent more than 25 years at Deloitte & Touche, LLP, an accounting firm, most recently as Managing Partner of the Investment Management for the Investment for the Investment Management for the Investment Management for the Investment for the Investment Management for the Investment for the

TerenceJohnson, age48, wasappointedHeadof GlobalDistribution in March2013 and electedExecutiveVice Presidenth April 2013.SinceOctober2012, hehadbeenservingasinterim Headof GlobalDistribution, overseeingJ.S. Distribution, InternationalDistribution, Global ProductDevelopmentMarketing, andAdministrationandOperationsof the division. Prior to that, Mr. Johnsorheaded nternationalDistribution at LeggMason.Mr. JohnsorjoinedLeggMason in December2005 from CitigroupAssetManagementollowing its acquisitionby LeggMason.

Patricia Lattin, age 55, was appointed Head of Global Human Resources January 2009 and Chief Human Resources Officer in June 2017. Ms. Lattin oversees egg Mason's Human Resources department and leads the firm's efforts in Corporate Social Responsibility and Philanthropy Ms Lattin joined Legg Mason in 1997 and hasserved in a variety of positions in Legg Mason's Human Resources department including Head of Employee Relations, Director of Human Resources deministration which included Director of Benefits and Director of Employment.

ThomasC.Merchant, age52, wasappointedGeneraCounseln March2013andelectedExecutiveVicePresident in April 2013.Mr. Merchantcontinuesto serveasCorporateSecretarya position he hasheld since2008.Mr. Merchant overseesLegg Mason'slegal, complianceand risk departmentsMr. MerchantpreviouslyservedasCorporateGeneral CounseAndDeputyGeneraCounseIMr. MerchantjoinedLeggMasonasAssociateGeneraCounseIn 1998.

Dir ectors

Robert E. Angelica, age73, hasbeena director of Legg MasonsinceFebruary2007 and is currentlyengagedin privateinvestmentactivities.From1999throughDecembe2006,Mr. AngelicaservedastheChairmarandChiefExecutive Officer of AT&T InvestmentManagementCorporation(ï¿ 727/IMCOï¿ 1/20), assetmanagementsubsidiary of AT&T Inc.

Mr. Angelica äq4alification to serve on our Board include his extensive in ancial industry knowledge and substantial leadership experience an edwhile serving as the Chairman and Chief Executive Officer of ATTIMCO, which was responsible for the investment and administration of more than \$80 billion of employed benefit plan assets or AT&T Inc. and certain third parties. Mr. Angelica & diverse experience includes the development of assetallocation policies and strategies risk managements election of external investment managers and trustees in-house asset management regulatory compliance and accounting and financial reporting. He was awarded the Chartered Financial Analyst designation. Our Board has determined that Mr. Angelica qualifies as an it 1/2 audim mittee financial expertige determined and regulations of the SEC.

 of TE ConnectivityLtd. sinceMarch2016anda directorof AllerganPlc sinceMay 2018.Mr. Davidsonpreviouslyserved as a directorof DaVita, Inc. from Decembe2010to March2018andas a directorof PentairPlc from October2012to April 2018.From 2013to 2018, Mr. Davidsonservedon the Boardof Governors of the FinancialIndustryRegulatoryAuthority (\ddot{i} ; ½FINRA \ddot{a} ; d#) om 2011 to 2015, Mr. Davidsonserved as a member of the Boardof Trustees of the FinancialAccounting Foundation, which oversee \$inancial accounting and reporting standards etting processe for the United States.

Mr. Davidsonszt/alificationsto serveon our Boardincludehis morethan 30 years of leadershipexperience cross multiple industries, including his leadershiproles at Tyco, six years at Dell Inc., where held various leadershiproles, including vice president audit, risk and compliance and vice president corporate controller and 16 years at EastmarKodak Company in a variety of accounting and financial leadershiproles. In addition, Mr. Davidson, a certified public accountant, has a strong track record of implementing overnance and controls processes Our Board has determined hat Mr. Davidson qualifies as an i/2 ¹/₂ auctimmittee financial expertigit/det the rules and regulations of the SEC.

Edward P. Garden, age59, hasbeena director of Legg MasonsinceMay 2019 and hasbeenChief Investment Officer and a FoundingPartnerof Trian Fund ManagementL.P. (ï¿Maīn),multi-billion dollar assetmanagementirm specializing nhelpingcompanies optimizeoperationaberformances ince2005. Mr. Gardercurrentlyserves as a director of GeneraElectricCompanyanindustrialcompanyandserved as director of TheBankof New York Mellon Corporation from Decembe2014 to June2019, wherehe chaired its HumanResources and CompensationCommittee as a director of Family Dollar Stores, Inc., a discountretailer, from Septembe2011 until its acquisition by Dollar Tree, Inc. in July 2015, as a director of The Wendys; Company a restauranthain, from Decembe2004 to Decembe2015, and as a director of Pentairplc, an industrial manufacturing company from May 2016 to April 2018. Previously he served as Vice Chairman and a director of Triarc Companies, from Decembe2004 through June2007 and ExecutiveVice Presiden from August 2003 until Decembe2004. Prior to joining Triarc, Mr. Garden was a managing director of Credit Suisse First Boston, where heserved as a senior investment banker and a managing director at BT Alex Brown, where he wasco-head of Equity Capital Markets. Mr. Gardengraduated from Harvard College with a B.A. in Economics.

Mr. Gardensiz dualifications to serve on our Board include his over 25 years of experiencædvising, financing, operating and investing in companies Mr. Garderhas worked with managemente am and board of directors to implement growthinitiatives as well as operational strategic and corporategovernancemprovements Mr. Garderhass trong operating experience a network of relationships with institutional investors and investment banking/capital markets experience that can be utilized for the benefit of Legg Mason.

Michelle J. Goldberg age51, hasbeena directorof Legg MasonsinceNovember2017 and hasbeena Partnerat Ignition Partners an early stage technology enture capital firm, and a Venture Partnerat SoGal Ventures investing in the next generation is it for the since May 2000. Before joining Ignition, Ms. Goldberg was a consultant in financial institutions and technology and an investment banker in middle market mergers and acquisitions Ms. Goldberg joined the board of Taubmar Centers Inc. on May 29, 2019. Ms. Goldberg has a B.A. in Asian Studies from Columbia College and an M.A. in EastAsian Studies from Harvard University.

Ms. Goldbegis & alifications o serveon our Boardincludeheradvisory and investment experience acrossmultiple industries includinge Commerce and digital media, internet analytics and mobile and enterprises of tware and here experience as a consultant financial institutions and technology and an investment banker in middle market mergers and acquisitions. In addition, Ms. Goldbeg hasserved on a number of company boards, including the board of Plum Creek Timber until its merger with Weyerhaeuse and multiple portfolio company boards over the past two decades.

StephenC. Hooley, age 57, was the Chairman, Presiden and Chief ExecutiveOfficer of DST Systems, n., a provider of information processing of twar and services the mutual fund, insurance, etirementand health careindustries, from July 2014 through April 2018, Presiden and Chief ExecutiveOfficer from Septembe 2012 to July 2014 and served as the Presiden and Chief OperatingOfficer from July 2009 through Septembe 2012. Prior to joining DST Systems, n., Mr. Hooley serve as Presiden and Chief ExecutiveOfficer of Boston Financial Data Services, a joint venture between DST Systems, and State Street Corporation and held a variety of executive of stericycle, Inc., a compliance company that specializes in collecting and disposing regulate substance and providing services for recalled and expired goods, and served as a director of DST Systems, from Septembe 2012 through April 2018. He served as a director of Boston Financial Data Services, a director of Boston Financial Data Services, and served as a director of DST Systems, from Septembe 2012 through April 2018. He served as a director of Boston Financial Data Services, a director of Boston Financial Data Services, and director of Boston Financial Data Services, a director of Boston Financial Data Ser

Mr. Hooley is the financial services industry and over 25 years of experience a variety of leadership oles at financial service companies and firms that provide advice and services to the financial services industry. In addition, Mr. Hooley has experience as a director of both public and private companies including membership obth the audit and compensation committees of a publicly-tradecompany

John V. Murphy, age70, hasbeena directorof LeggMasonsinceJune2013 and hasserved a sour LeadIndependent DirectorsinceOctober2014.Mr. Murphy is currently engaged in private investment activities.Mr. Murphy was employed by Korn/Ferry International, an executive search firm as a Managing Director for the Asset Management and Wealth Management section of the Global Financial Market, from 2010 to 2012. From 2000 to 2009, Mr. Murphy was employed in various senior positions with Oppenheimer Fund Sc., an asset management firm, including Chairman, President and Chief ExecutiveOfficer. He also served as a director of over 60 mutual funds in the Oppenheimer Fund Sc. Prior to joining Oppenheimer Fund se spenteight years with Mass Mutual Financial Group, Oppenheimer Fund Sc., an investment management firm. He began is careerat Arthur Andersen & Co. in 1972 as an account ant.

Mr. Murphy is dealifications to serve on our Boardinclude the knowledge leadership and experience gained in over 30 years of experience working in the investment management business and as a Chairman President and Chief Executive Officer of a large, complex asset management organization. In addition, he gained extensive industry and leadership experience y serving as Chairman dasamember of the Executive Committee and the Board of Governors of the Investment Company Institute.

Nelson Peltz, age77, hasbeena directorof Legg MasonsinceMay 2019 and previouslyservedas a director of Legg Masonfrom October2009 until December2014.Mr. Peltzhasservedas the Chief ExecutiveOfficer and a Founding Partnerof Trian, a multi-billion dollar assetmanagementirm specializing in helping companies ooptimize operational performances ince2005. Mr. Peltzhasservedas director of The Wendy & mpany (i ; 16 Mdy & world & third largest quick-service ambuger company since April 1993 and as its non-executive chairmans inceJune2007.Mr. Peltzhasalso servedas a director of as a director of SyscoCorporation (i ; 1/2 Syscot & the fairman sinceJune2007.Mr. Peltzhasalso servedas a director of as a director of SyscoCorporation (i ; 1/2 Syscot & the fairman sinceJune2007.Mr. Peltzhasalso servedas a director of as a director of SyscoCorporation (i ; 1/2 Syscot & the fairman sinceJune2007.Mr. Peltzhasalso servedas a director of as a director of SyscoCorporation (i ; 1/2 Syscot & the fairman sinceJune2007.Mr. Peltzhasalso servedas a director of as a director of SyscoCorporation (i ; 1/2 Syscot & the fairman sinceJune2007.Mr. Peltzhasalso servedas a director of as a director of SyscoCorporation (i ; 1/2 Syscot & the fairman sinceJune2007.Mr. Peltzhasalso servedas a director of as a director of SyscoCorporation (i ; 1/2 Syscot & the fairman sinceJune2007.Mr. Peltzhasalso servedas a director of as a director of SyscoCorporation (i ; 1/2 Syscot & the fairman sinceJune2007.Mr. Peltzhasalso servedas a director of as a director of SyscoCorporation (i ; 1/2 Syscot & the fairman sinceJune2007.Mr. Peltzhasalso servedas a director of as a director of SyscoCorporation (i ; 1/2 Syscot & the fairman sinceJune2007.Mr. Peltzhasalso servedas a director of as a director of SyscoCorporation (i ; 1/2 Syscot & the fair and is set to the fair a director of food and related products, sinceAugust 2015, The Procter and GambleCompany (i P& G), a global consume products company is the fair a dis set to the fair and the fair and the fair and the fair and t

In addition to founding Trian, Mr. Peltzhasservedin seniormanagemen positionsat various companies From 1993 to 2007, heserved as the Chairmarand Chief Executive Officer of Triarc Companies Inc. (now known as The Wendy is 1/2 Company), which, during that period, owned Arby is Restauran Group, Inc. and acquired Snapple Beverage Group, as well asother consume and industrial businesses Mr. Peltzwasalso Chairman & Chief Executive Officer of Triangle Industries, Inc., a Fortune 100 industrial company and the parent of American National Can Company from 1983 until December 1988, when it was acquired by Pechiney S.A. Mr. Peltzhasmore than 40 years of business and investment experience has served as the chairmarand chief executive of Sysco, Wendy is, R&G and Madison Square Garden and previous ly serving on the boards of Mondelez, Heinz, Ingersoll-Rand MSG Networks and Legg Mason.

Throughouthis professionatareer he has developed extensive experience working with management eams and boards, as well as in acquiring, investing in and building companies and implementing operational improvements at the companies with which he has been involved. Mr. Peltzwas also recognized by the National Association of Corporate Directors in 2010, 2011 and 2012 as among the most influential people in the global corporate governance are na As a result, Mr. Peltz has developed strong operating experience and strategic planning skills, valuable leadership and corporate governance experience and strong relationships with institutional investors investment banking/capital markets advisors and others that we believe will benefit Legg Mason and its Board.

Alison A. Quirk, age58, hasbeena director of Legg MasonsinceNovember2017 and is currently engaged n private consulting. From September2002 until March 2017, Ms. Quirk was a member of the Managemen Committee and executive vice president of Global Human Resource at StateStreet Corporation Ms. Quirk joined StateStreet StateStreet

in Septembe2002 as seniorvice president, Deutsche Global Services Integration Team, and subsequentlyheld various seniorhuman resource soles. Ms. Quirk has a B.A. from the University of New Hampshire.

Ms. Quirkis Aualifications to serve on our Board include her experiencein human resources marketing and communication socused roles at various financial services firms. In addition, her prior board experience includes serving on the board of Boston Financial Data Services a joint venture between State Street Corporation and DST Systems.

JosephA. Sullivan, age62, hasbeena directorof LeggMasonsinceFebruary2013andhasservedasour Chairman sinceOctober2014.Mr. Sullivan was electedPresidentChief ExecutiveOfficer and a member of the Boardin February 2013. Before being appointed as President and Chief ExecutiveOfficer, Mr. Sullivan served as Interim Chief Executive Officer of LeggMasonfrom October1, 2012 to February11, 2013.Prior to that, Mr. Sullivan oversawtheglobal distribution operations f LeggMason.He was electedSeniorExecutiveVice President f LeggMasonin Septembe2008 and until January2011 was responsible or overseeing administrativefunctions as Chief AdministrativeOfficer. FromDecembe2005 to Septembe2008, he was responsible for overseeing the fixed income capital markets operations of Stifel Nicolaus, a brokerdealer From 1993 to Decembe2005, he oversawthe fixed income capital markets operations f LeggMasonWood Walker, the company at the subsidiary that was sold in Decembe2005.

Mr. Sullivan so de la lifection de serveon our Boardincludea combination of his management kills and professional experience Mr. Sullivan has more than 30 years of industry experience including serving as Chief Executive Officer, Head of Global Distribution and Chief Administrative Officer of Legg Mason and seniorroles at a number of other firms. Mr. Sullivan serve don the board of directors of Stifel Financial Corp. from Decembe 2005 to Septembe 2008.

CORPORATE GOVERANCE

Code of Conduct

Upon the recommendation of the Nominating & Corporate Governance Committee our Board of Directors has a dopted a corporate Code of Conduct that applies to all directors, officers and employees of Legg Mason and its subsidiaries The Code of Conduct addresses the following important topics, amongothers:

ï¿1⁄20nflicts of interest;

- ï¿ % orporateopportunities;
- ï¿ confidentiality of information;
- ï¿%air dealing;
- ï¿perotectionandproperuseof LeggMasonisassets;
- i¿teompliancewith laws, rules and regulations (including insider trading laws);
- i¿andencouraginghe reporting of any illegal or unethical behavior

A copy of the Code of Conductis available on our corporate website at www.leggmason.com.nderthe�About-InvestorRelations-Governance-Corporate vernanceïse tion.Weintendto satisfy any disclosure equirement egarding any amendmento, or waiver of, our Code of Conduct by posting the information our corporate vebsite.

Legg Masonmaintainsan employeereportinghotline whereemployeescan anonymously submita complaintor concerrregarding compliance with applicableaws, rules, regulations rthe Code of Conducts well as accounting auditing, ethical or other concerns.

Audit Committee

TheAudit Committees as solution include assisting the Board with the oversight of our financial accounting and reporting to stockholders. Its duties include:

- ï¿ Selectingand compensating he independentegistere of ublic accounting firm (ï¿ 1/2 Independent ditors ï¿ 1/2);
- i¿peroviding oversight of the work of the Independent Auditors and reviewing the scope and results of the audits conducted by them;
- i¿ Mensuring the regular rotation of the lead audit partner and selecting, reviewing and evaluating the lead audit partner;

- ï¿%zviewingtheactivitiesandperformanceof our internal auditors;
- i¿Miscussingvith IndependerAuditors, internalauditors and management heorganization and scope four internal system of accounting and financial controls; and
- ï¿ 1/2 viewinganddiscussingcertainmattersthatmay havea materialimpacton our financial statementsincluding litigation and legal mattersand critical accounting policies and estimates.

Our Board of Directors has determined that each of Messrs Angelica, Davids on and Huff qualifies as an � audit committee financial expertines defined by the SEC. Our Board of Directors has also determined that all members of our Audit Committee are � independes defined by the SEC. Our Board of Directors has also determined that all members of our Audit Committee are � independes defined by the SEC. Our Board of Directors has also determined that all members of our Audit Committee are � independes defined by the SEC. Our Board of Directors has also determined that all members of our Audit Committee are � independes defined by the SEC. Our Board of Directors has also determined that all members of our Audit Committee are is fissed on the NYSE listing standards and applicable SEC rules. The Audit Committee satisfies the requirements of SEC Rule 10A-3 under the Securities Exchange Act of 1934, as a mende of the � Excha Ageti ¿½). Rule 10A-3 establishes tandard selating to audit committees in the following areas the independence of audit committee members the audit committee is greeponsibility to select and oversee the company is greependent auditor; procedures for handling complaints regarding the company is gree counting practices the authority of the audit committee on engage dvisors; and funding for the independent auditor and any outside advisors engage dby the audit committee.

Relationship of Compensationand Risk

We conduct the majority of our business hroughour assetmanagers which are individual businesse Eachasset managegenerally focuses on a portion of the assetmanagement dustry in terms of the types of assets nanaged primarily alternativesequity or fixed income) the types of products and services offered, the investment tyles utilized, the distribution channelsused, and the types and geographidocations of its clients. Each of our significant assetmanagers is generally operated as a separatentity that typically markets the products and service sunder its own brandname. Certain distribution functions are often provided by the parent company and other affiliates. Consistent with this approachive have revenue sharingarrangementing placewith four of our assetmanager and/orcertain of their key officers. Pursuanto these revenue sharingarrangement specified percentage the asset manage to very specific derivative to the specified percentage of the asset manage to very specified percentage of the asset manage to is required to be distributed to the parent company and the balance of the revenues or net revenues is retained to pay operatingexpenses including salaries and bonuses but excluding certain expenses uchas a mortization of acquired ntangible assetsandincometaxes. Specific compensational locations are determined by the assetmanage managements ubject to corporatemanagementapprovalin certaincases. Our assetmanagers and other businessunits that do not operate under revenuesharingarrangementsitilize a variety of discretionaryor formulaic incentive compensation determinationsIn addition, the managemente amsof three of our affiliates hold significant equity interests in the applicable company which helpsto align the interests of the management of those three affiliates with the interests of our stockholders in addition, the assetmanagementindustry in which we operate ends to be a long-termbusiness as investment performance ver multiyearperiods a critical competitivelement of the business Also, as is typical in the asset management usiness and unlike otherfinancial services companies we are not exposed o the short-term risks arising from proprietary trading because we do not engagen proprietarytrading.

The executive officer compensation program is structured in a manner intended to mitigate against providing incentives or inappropriate isk taking. The executive officers is a large refixed in amount Incentive compensations linked to overall corporate performance For fiscal year 2020, a substantia portion of compensations in the form of deferred cash unit awardsdueto restrictionsunderthe Merger Agreementon issuingequity awards. The deferred ashunit awards which, asfurtherdescribedbelowaftertheSummaryCompensationTable,vestratablyoverafour yearperiod, areaccelerated and paid upon completion of the Merger, aligning the executives in the interests of Legg Mason is should be a solution of the merger and the executives in the interest of Legg Mason is should be a solution of the merger and the executives in the interest of the merger and the merger and the executives in the interest of the merger and the merger and the executives in the interest of the merger and complete the transaction. These awards do not encourage xcessive rinappropriate isk taking given that the executives havesignificant value tied to completing the Merger and incentive to managelegg Mason's basin compliance with covenants in the Merger Agreement that are intended to limit risk prior to completion of the transaction. In prior years, a substantiabortion of compensation was in the form of long-termequity awards that a ligned executives in the security of long-termequity awards that a ligned executives in the security of long-termequity awards that a ligned executive size of the security of long-termequity awards that a ligned executive size of the security of long-termequity awards that a ligned executive size of the security of long-termequity awards that a ligned executive size of the security of long-termequity awards that a ligned executive size of the security of long-termequity awards that a ligned executive size of the security of long-termequity awards that a ligned executive size of the security of th of LeggMasonsstockholdersa substantiabortion of which remainout standing and unvested The value of equity awards issued n prior years largely is tied to Legg Mason stock price. These awards do not encourage xcessiver in appropriate risk taking given that the awards are subject to long-term vesting schedule to help ensure that executive shave significant valuetied to long-termstockpriceperformance. We believe our incentive awardprogram coupled with our stock ownership guidelinesand anti-hedgingand pledgingpolicies for executives have created important linkages between the financial interestsof our executives and the long-term performance of Legg Mason and help to protect againstany incentive to disregardrisks in return for potential short-term gains. Moreover, the CompensationCommittee considersseveral performancenetricsin establishingheexecutivecompensatioprogrameachyear sonoonemetriccreates nundure ward thatmightencouragexcessiveisk taking. Financial metrics are weighted 60%, Strategic and Affiliate Relationships metrics

are weighted 30% and Organizational Health metrics are weighted 10%. The Committee establishes a target executive compensation incentive pool, but the aggregate mountis subject or adjustmentine the discretion of the Compensation Committee based on the financial and qualitative performance metrics established by the Committee for use in making executive compensation decisions.

To further ensure the alignment of compensation with long-termperformance we have adopted policy for the clawback of incentive compensation from name dexecutive officers in the event anamedexecutive officer is the claw back of a restatement of our financial results or if a name dexecutive officer is terminated or cause Additional information on our executive officer compensation practices is discussed below under $i_{2}1/2$ Executive mentation compensation on our executive officer is the security of the claw back of the claw b

We haveconsidered herisks created y our compensatio policies and practices including mitigating factors, and, based on this review, do not believe that our compensation policies and practices createrisks that are reasonably ikely to have a material adverse ffect on the company This conclusion is supported by the work of a committee consisting of representative from our finance, human resources legal and enterpriserisk management epartments which evaluates whether our compensation policies and practices are reasonably ikely to have a material adverse ffect on Legg Mason.

ITEM 11. EXECUTIVE COMPENSATION.

COMPENSATION DISCUSSION AND ANALYSIS

Relationship betweenCompany Performance and ExecutiveCompensation Our performancessessmentitameworkandexecutivecompensatiopprogramared esigned o link pay and performance.

ExecutiveCompensationProgram Design

The only fixed component of compensations bases alary which ranges from approximately 6-27% of total direct compensation our named executive officers.

Annualperformancedrives the payment of annual incentive compensation, which in prior years was divided into a current cashpayment an award of restricted stock units that vestover a four year period, and an award of performance hare units that vest at the end of a three year period. Long-term performances reflected in relative total stockhold erreturn plus relative organic growth rate of long-term AUM drives the ultimate payout of the performances hare units issued in prior years.

Forfiscal year 2020, the Merger Agreemen prohibited Legg Mason is suing equity awards to employee sincluding executive officers. Instead executive officers received the same portion of their incentive awards that would have been paid as equity in the form of deferred as hunits, which vestratably over four years beginning April 30, 2021 but are accelerated indpaid out in cashupon the completion of the Merger, consistent with the treatment of outstanding equity awards. The terms of the deferred cashunit awards provide that the Committee may elect to convert the units into equity awards if the Merger is not completed.

PerformanceAssessment

The CompensationCommittee of our Board of Directors (the �Committee seta) comprehensive roces to continually asses performance which includes frequent dialogue with management boutfinancial performance elative to our goals and relative to the performance for competitors and assessments for porate and individual executive accomplishments.

TheCommitteein consultation with its independent on pensation on sultant consider surpay-for-performancalignment when making executive compensation decisions. This consideration includes reviewing the relationship of Legg Mason performancand executive pay levels as compared o that of competitors.

For fiscal year 2020, metricswere divided into threecategories and weighted-financial performance(60%), strategy& affiliate relationships(30%) and organizationahealth(10%). Performance was evaluated n each category at the end of the fiscal year and payment was determined as each a payout scale from 0 150% of target amounts.

Engagementand Responsivenesto Stockholders

Legg Mason regularly engages with key stockholderson governance and executive compensationissues. These conversations are in addition to investor conferences and outreach managed by our Investor Relations team and our engagement with stockholders after we file our proxy statements in addition to outreach to our largest investors during proxy season we contacted seventee investors midway through the fiscal year, who held approximately 52% of our shares outstanding as measured at September 0,2019) Of the 17 stockholders ontacted? responded nd5 accepted ninvitation for a call. We discussed board composition non-employed irector compensation and the Legg Mason Board is desponse to the shareholde proposal, approved overwhelmingly at our 2019 annual meeting, to remove supermajority voting provisions from Legg Mason is darter and by laws.

Executive Compensation Practices

Below we highlight certain executive compensation practices we employ to align executive compensation with stockholder interests Also listed below are certain compensation practices we do not employ because we do not believe they would serve our stockholders in the rests.

What We Do

Payfor Performance.Wetie annuaþayto objectivæbsolutærformancenetrics ourfiscal year 2020 Adjusted Operating Margin, Strategiærestructuring ostsavings, Net Revenue Adjusted EBITDA and Adjusted Earningsper Share. We also may considerrelative total stockholder et urn, relative organic growth rate of long-term AUM, relative operating income growth and relative net income growth when the Committee believes additional data points would be useful. We also evaluatemetrics related to strategic and affiliate relationships and organizational health. A significant portion of our executives pottential compensation approximatel y73-94% depending on the name dexecutive of guarantee but is tied to financial and stockholde performance. The Committee and is independent ompensation on sultant evaluate the alignment of pay and performance relative to our peer group, prior to the Committee making executive compensations.

Linkage to Stockholder Performance. Linking executive compensation to stockholdeperformances important. In prior years relative total stockholder eturn has been considered in determining annual incentive awards and performances hare unit vesting and payouts. Relative organic growth rate of long-termAUM was a second metric we used for determining performances hare unit vesting and payouts. Further, restricted stock units awards made annually in prior years were based on performance prior to the award, with the realized value of those awards to the executive sultimately based on share price performance during the vesting period after the award was made.

Executive Stock Ownership Guidelines. Executives are expected o own shares f Legg Mason commonstock with a value equal to at least two to eight times bases alary depending on position.

Equity Award Retention Policy. Executives are required to retain 50% of the net after tax shares eccived from all equity awards until they have reached he ownership levels set out in the stock ownership guidelines.

VestingPeriod on Equity Awards. Restricteds to ckunits and stock options granted n prior years under the annual incentive plan have four-year ratable vesting periods.

Clawback Policy. We can recover incentive compensation warded o a name dexecutive officer where the officer is transformed or willful misconducted to a material restatement of financial results or if the executive is terminated or cause.

ReviewTally SheetsWereviewtally sheetswhichprovideacomprehensiveiew of an executives historical compensation and equity holdings for each of our executive officers prior to making annual executive compensation decisions.

Stockholder Engagement. We engage with our top stockholder soutside of proxy season ogain insights about their views on helpful disclosures and executive compensation generally and our practices and outcomess pecifically, and to share information that we think might be of interest ostockholder soutour compensation and governance ractices and policies.

Prohibit Hedging or Pledging. We prohibit our executiveofficers or directors and their related accounts from engaging in pledging or transaction shathave the effect of hedging the market value of Legg Mason securities without board approval.

What We Donï ¿ 🖾 🌢

No Repricings. Our stock incentive plans and NYSE Listing Standardsprohibit us from repricing options without stockholdeapproval.

No Income Tax Gross-ups.We do not provide incometax gross-ups for personabene fits other than relocation and other broad-base benefits.

No ExciseTax Gross-ups.We do not provide excisetax gross-upsfor changein control benefits.

No EstablishedProgram of ExecutivePerquisites. We haveno establishedprogramof perquisites providepersonal benefits our executiveofficers.

ExecutiveCompensationProgram Objectives

Overall

Our namedexecutiveofficer compensation programs are designed o attract, incent, retain and reward the management talent that we need to maintain and strengther our position in the assetmanagement business and to achieve our business objectives.

Variable Pay

A significant portion - approximately 3-94% depending on the name dexecutive officer - of the total direct compensation delivered to our name dexecutive officers is variable, which directly ties their pay to their individual performance and to the performance of our company

Our CompensationPrinciples

Our compensatioprograms for named executive officers are guided by three basic principles:

Link compensation performance. We believe that compensationevels should reflect performance-bottheperformance of Legg Mason and the performance of the recipient.

Align management signater ests with those of stockholders. We seek to implement programs that will encourage a med executive officers to remain with us and to increase ong-terms tockholder value by providing competitive compensation. Although prevented by the Merger Agreement this year, we also granted long-term equity incentive awards annually in prior years.

Maintain competitive compensationlevels. We strive to offer programs and levels of compensation that are competitive with those offered by comparable companies our industry in order to attract, retain and rewardour named executive officers, but always framed in the context of performance

Pay For Performance

Linking compensation performances a fundamentalvalue underlying our namedexecutiveofficer compensation practices. The annualincentives (including the deferred cashawards granted for fiscal 2020) paid to each of our named executive officers vary with performance including our annual financial results. In addition, in prior years, a portion of those equity awards was paid in the form of performance hare units. The performance hare units issued in 2017 vest, and the number of share payable at vesting is determined based on Legg Mason gradative total stockholder eturn over the three-yeaperiod after the awards were made. The performance hare units issued in 2018 and 2019 vest, and the number of share payable at vesting is determined based on Legg Mason gradative total stockholder eturn over the three share payable at vesting is determined based on Legg Mason gradative total stockholder eturn and relative organic growth rate of long-termAUM over the three-yeaperiod after the awards were made.

For fiscal 2020, the Committee adopted a new framework for evaluating performance by dividing metrics among three categories and weighting the categories as follows: financial performance (60%), strategy & affiliate relationship (30%) and organization a health (10%). Individual performance argets were established or the executive officers. Performance was evaluated neach category of metrics at the end of the fiscal year payment was determined as edon a payout scale between 0 150%.

The total fiscal year 2020 compensation aid to our Chief Executive Officer reflects our financial results, while recognizing the CEO is performance against the other two categories of metrics, after applying the weighted metrics and payout framework described bove. The Committee is decision making also reflects the comparison to the compensation amounts paid by and financial results of peer companies in the assetmanagement dustry The fiscal year 2020 compensation paid to our CEO was down 2% as compared of fiscal year 2019 compensation. The Committee compared the fiscal year 2020 total compensation (salary plus incentive award) paid to our CEO to the total compensation paid to chief executive officers or heads of assetmanagement businesses at the eight assetmanagement competitors which had publicly reported compensation at the end of our fiscal year out of the group of twelve other peers the Committee used for CEO compensation comparisons and also reviewed the three-yeat ot al compensation is tory of the twelve-membepeer group as a whole.

The Committee, in consultation with its independencompensation consultant, Semler Brossy Consulting Group, LLC, consider shere lationship and alignment between executive compensation our name dexecutive officers and our corporate performance in reaching executive compensation decisions. This assessment wolves consideration of the alignment of Legg Mason is performance and dition, Semler Brossy conducts payfor performance analyses at the request of the Committee, that are used as one input for executive compensation decisions.

Determining ExecutiveCompensation

The CompensationCommitteeïs Timeline

The Compensatio Committees of several meetings during fiscal year 2020, the Committeereviewed and discussed an updated process for determining executive compensation and, in the third quarter of fiscal 2020, approved an annual process featuring individual targets and weighted metrics, assummarized below.

Q1:

ï¿1/Establishpeergroup

i¿1/Establishincentivetargetby executivebasecon peer(market)median, or appropriatemarketpoint

ï¿1/Establishpaymix and equity vehicles

ïزئ Stablishperformancemetricsunderthreecategoriesandweightings:

FinancialPerformance60%) Strategic& Affiliate Relationships(30%) OrganizationaHealth(10%)

Q1, Q2 andQ3:

ï¿1/Quarterlyreview of corporateperformance

Q4:

ï¿¹Assesperformancægainstmetricsanddeterminæxecutivetotal incentiveawardsrangingfrom 0 150% of targets. ï¿¹Developedalternativeto equity awardsin light of the restrictions in the Merger Agreementon issuingequity awards.

The Committeeuses compensatioprogram odetermine ctual named executive officer compensation mounts. Under that program at arget bonu spool and participants is the established long with performance netrics and the qualitative strategionetrics that the Committee will use in connection with making compensation decisions at the end of the year. In establishing the target bonus pool, the Committee typically starts with peer median pay for each executive position, and the nadjust that aggregate mount based not her factors such as prior year compensation and Semle Brossy is the performance of the set of industry compensation that aggregates are stables and set of the set

Factors in The CompensationCommittee is Decision-Making Process

The Compensation Committees decision making process involves a rigorous assessment of the factors described below, which are considered ogether to result in fully informed decisions about our executives of pensation.

The CompensatiorCommitteeconsidersweightedperformancemetrics and individual performanceof the executive officers, assessed adustry survey data and median peergroup data for executive pay, review prior years in the executive awards, reviews our CEO is the commendation and independent consultant dvice and seeks and consider stock hold effeed back if any.

The Compensatio Committeeuses rigorous performancessess methamework to set the overall target bonus pool and determinendividual bonuses. The Committeeuses performancessess methamework along with comparison on median peergroup pay as the basis for pay decisions for Legg Mason executives. The Committeeuses market data and weighted performance metrics to establish arget pools for incentive awards and appliests judgment o make compensation decisions for the name dexecutive officers after conducting an in-depthreview of performance valuating peergroup pay and prior years actual direct compensation and assessing ualitative metrics relating to strategic performance valuating solely on formulaic results to calculate annual incentive award payouts. The Committee evaluates the CEO is 1/2 recommendation for other executive officers in taking into account peergroup data and the CEO is 1/2 recommendation for other executive officers in the set is views on individual performance. The Committee believes this process an effective way to assess the quality of the performance and leadership demonstrate dy the CEO and the senior management and assess an effective way to assess the quality of the performance and leadership demonstrate dy the CEO and the senior management and assess the quality of the performance and leadership demonstrate dy the CEO and the senior management and assess the quality of the performance and leadership demonstrate dy the CEO and the senior management and the ceo is the performance and leadership demonstrate dy the CEO and the senior management and the ceo is the performance and the performa

The Compensatio Committeereviews a performance assessment corecard detailing actual results versus planfor metrics that are linked to our strategy The set of metrics includes metrics that reflect the actions of our management earn and employees such as net revenues. The Committee also defines strategic goals for the Strategic and Affiliate Relationships and Organizationa Health metrics categories linked to our operating priorities, at the beginning of the year and assesses outcome agains those goals when making end of year compensation decisions. The Committee believes that evaluating performance gains a weighted combination of financial and strategion etrics most effectively drives the behavior for the long term results that we want our executive team to strive for and produce, as well as tightly links pay outcomes operformance.

Elementsof Compensation

 $In\ fiscal\ 2020, the\ component \ {\rm sof}\ executive compensation \ {\rm mellected} the\ pending Merger$

BaseSalary

Basesalaryis the smallestcomponent of executivecompensation (6% of our CEO is pay), and is intended to provide a stable, reliablemonthly income. Basesalaries are reviewed periodically in light of performance actors, market practices and advice of the Committee information consultant.

Annual IncentiveCompensation

Annual incentive awards are to be paid 70% in equity and 30% in cashfor our CEO, and 55% in equity and 45% in cash for the othernamed executive officers. In fiscal 2020, no equity awards were granted bursuant to the terms of the Merger Agreement Instead of equity awards our executive officers received before dashunit awards described below.

Cash

Thecashincentiveawards(28% of our CEO spáy) are intended or eward the achievement of annualinancial and qualitative performancegoals and individual performance. Cash incentive amounts are variable and are determined based on performance gains the key metrics assessed by the Committee as described below. Cashincentives link compensation to performance inceaward amounts are determined to fiscal yearend based on yearend results.

DeferredCashUnits

The deferred cashunit awards (66% of our CEO is pay) are intended to mirror the terms of restricted stock units awarded by the Committeein prior years, and vestratably over a four year period but will accelerate and be paid out in cashat the time of completion of the Merger. The amounts of deferred cashunit awards also are variable and are determined based on performance agains the key metrics assessed by the Committee as described below. The terms of the deferred cash unit awards provide that the Committee may elect to convert the units into equity awards if the Merger is not completed. The Committee believes that the deferred cashunits have a value comparable to the equity awards that otherwise would have been issued if not for the restrictions under the Merger Agreement.

OtherCompensation

U.S.-basedhamedexecutiveofficers may participate in all other Legg Mason compensationand benefit programs on the sameterms as other employees such as health and welf are benefit plans and the Profit Sharing and 401 (k) Plan. Through February 2020, U.S.-basedhamedexecutive officers were eligible to participate in the EmployeeStock PurchasePlan. That plan was terminated after the Merger Agreement was executed. U.S.-basedhamedexecutive officers also may elect to participate in non-qualified deferred compensation plans available to select employees based on responsibilities and compensation evels.

AssessingCompetitive Practice

SemlerBrossyassistsheCommitteeby reviewingcomparativenarketdataon compensatiopracticesandprogramsbased on an analysis of competitorsBecauseurMarch31 fiscal yearenddate is later than that of many competitors we typically areable to review up-to-date information about market practices and compensation awards for the previously completed calendayear TheCommittee and SemlerBrossy use group of relevant competitors compare urcompensation programs and practices with those of our competitors and the compensation evels of our name executive officers to the compensation levels of comparable officers of companies in the group. For our CEO, the Committee and SemlerBrossy use a group of nine public companies and the assetmanagement businesses within three other public companies as the primary comparisons The companies in the group are:

Affiliated ManagersGroup AllianceBernstein Bankof New York Mellon* BlackRock EatonVance FederatedInvestors Franklin Resources JanusHenderson Invesco MorganStanley* StateStreetCorp* T. RowePrice

 \ast For this company the compensation of the head of the assetman agement business rather than the CEO of the company was used for comparison.

ManagementalsoretainsMcLaganPartnersa compensationspecialistaffiliate of Aon Hewitt thatfocuseson thefinancial servicesindustry to provide compensation formation about otherasset management competitors including competitors that are not publicly traded, or are subsidiaries of larger institutions, that generally do not make compensation formation about their executive officers publicly available. The Committee uses the analysis from McLaganto compare proposed executive compensation evels for the name dexecutive officers other than the CEO with the compensation paid by a group of competitors Peercompensation evels and performance are also reviewed when both establishing the target incentive pool and allocating incentive awards to individuals. The Committee reviews a group of competitors which includes companies that are not publicly traded because insufficient data available from public company peers for our named executive officer positions other than the CEO. The additional competitor firms in the McLagananalysis are:

Allianz Global Investors AmeripriseInvestmentManagement BrightSphere DWS Fidelity Investments GoldmanSachsAssetManagement JPMoganAssetManagement MFS InvestmentManagement MorganStanleyInv. Management Natixis GlobalAssetManagement NuveenInvestments PIMCO Table of Contents

Fiscal Year 2020CompensationDecisions

StockholderAdvisory Vote and EngagementFeedbackSupport CompensationDecisions TheCommitteemadets fiscal year2020compensationdecisionsmindful of theresults of theadvisoryvote of LeggMason stockholdersatthe2019AnnualMeeting of Stockholdersindicating over 95% of sharesvoted approving name executive officer compensation and of the support generally expressed y our stockholders or our compensation practices in stockholderoutreach onversations verthelast several fiscal years.

Linking Metrics to Strategy and Operating Priorities

The Compensatio Committees performance metrics for fiscal year 2020 align with strategio goals and drive management focus in the following areas:

- ï¿12Financialresultstargetedin our multi-yearplan
- ï¿12Strategianitiatives to diversify our busines and expandinvestor choice

PendingMerger Transaction DroveForm of Incentive Compensation

The Committeemadeits fiscal year 2020 compensation decisions under the framework of terms agreed between Legg Mason and Franklin in the Merger Agreement In particular no equity awards were issued for fiscal year 2020 incentives due to the prohibition in the Merger Agreement on equity issuance pending completion of the proposed neger transaction; however the Committee may elect to convert the deferred cash units that were awarded not equity awards if the Merger is not completed.

Determination of Fiscal Year 2020BaseSalaries

At the beginning of fiscal year 2020 when the Committeed etermine dealaries, the Committeed id not change the base salaries of any of the name dexecutive officers.

Determination of Fiscal Year 2020Bonus Pool

For fiscal year 2020, the Committee approved arget incentives for the five of eight executive of ficers who were expected to remain with the company after January 1, 2020. Beginning in the first quarter of fiscal year 2020, the Committee considered the performance metrics and strategic qualitative metrics to be used in connection with making compensation decisions for fiscal year 2020. The Committee considered whether the existing metrics adequately inked to corporate strategy and drove appropriate incentives and whether any other metrics would be appropriate to add. In prior years, the Committee has determined that measure **s** hould be added only if they provide new information and can be influenced by Legg Mason is 1/2 executive of ficers. They also considered the perspective of stockholders in assessing ompany performance.

In the course of several meetings during fiscal year 2020, the Committee reviewed and discussed an updated process or determining executive compensation and, in the third quarter of fiscal 2020, after discussion with the full Board, the Committee adopted new framework for evaluating performance to strengthen the link age between pay and performance and to enhance individual accountability for performance. The changes in the framework from fiscal 2019 to fiscal 2020 are summarized below:

Plan Element	FY2019 Plan	Proposed FY2020 Plan					
Incentive Targets	N/A	Targets set for each individual					
raigoto		Established in Q1 based on peer (market) median, or appropriate market point.					
Performance Metrics	Quantitative and qualitative metrics considered when determining awards by executive	Metrics divided into three categories and weighted - financial performance (60%), strategy &iliaite stelationships (30%) and gatnizational health (10%). Performance evaluated in each category at the end of C and payment determined calculated based on payout so (0-150%).					
Incentive Mix	CEO: 40% Cash and 60% Equity Increased equity*						
	NEOs: 50% Cash and 50% EquityCEO: 30% Cash and 70% Equity						
		NEOs: 45% Cash and 55% Equity					
		* No equity ultimately was issued for fiscal 2020 due to proposed Meger					
Equity Mix	CEO:50% PSUsand 50% RSUs	Increased poportion of PSUs for CEO*					
	NEOs:50%PSUsand50%RSUs	CEO: 70% PSUs and 30% RSUs					
		NEOs: 50% PSUs and 50% RSUs					
	of TSR andOrganicGrowthRateof Long-termAUM	PSU plan redesigned to includedjusted Operating Margin vs. goal and Relative Operation Growth Rate of Long-termAUM with RelativeTSR as a modifier					
		*No equity ultimately was issued for fiscal 2020 due to proposed Meger					

The Committeedetermined that the financial metrics below are the most meaningful drivers of behavior that creates stockholdevalue, with absolutemetrics evaluated gainsta multi yearplan approve by the Board:

�AdjustedOperatingMargin⁽¹⁾ �Strategiœestructuringcostsaving⁽²⁾ �Net Revenue �AdjustedEBITDA⁽³⁾ �AdjustedEarningsper Share⁽⁴⁾

The Committeeselected he following as a second ier of relativemetrics which may be considered as additional datapoints during the fourth quarter of the fiscal year if the Committee deem successary:

�RelativeTotal StockholderReturn⁵⁾ �RelativeOrganicGrowthRateof Long TermAUM⁽⁶⁾ �RelativeOperatingIncomeGrowth

ï¿1/2RelativeNetIncomeGrowth

⁽¹⁾ AdjustedOperatingMargin refersto dividing (i) operatingincome,adjustedo excludethe impacton compensation expenseof gainsor losseson investmentsmadeto fund deferredcompensationplans, the impacton compensation expenseof gainsor losseson seedcapitalinvestments your affiliates under evenues having arrangements, mortization related to intangible assets income (loss) of CIVs, the impact of fair value adjustments of contingent consideration liabilities, if any, unusual and other non-correct ages and impairment chages by (ii) our operating evenues adjusted to add back net investmentadvisory feese liminated upon consolidation of investment vehicles, less distribution and servicingexpenses which we use as an approximate measure frevenues that are passed through to third parties, and lessperformanc tees that are passed to ugh as compensation on some of this and interest Adjusted Operating Margin is a non-GAAP liquidity measure Please refer to page 59 of this Annual Report on Form 10-K for a reconciliation of Adjusted Operating Margin to operating revenues.

- ⁽²⁾ We define i¿½ Strategistructuring costs avings ias saving son compensation coupancy and other costs resulting from our strategic restructuring.
- ⁽³⁾ We define ï¿1⁄2AdjusteBITDAï¿ascashprovidedby (usedin) operatingactivitiesplus (minus) interestexpensenet of accretionandamortization of debtdiscounts and premiums current incometax expense benefit), the net changen assets and liabilities, net (income) loss attributable to noncontrolling interests, net gains (losses) on consolidated investment/vehicles, net gains and earning on investments and other, which is principally comprised of acquisition and transition-related osts. The net change in assets and liabilities adjustmental igns with the GAAP basis Consolidated Statement of CashFlows. Adjusted EBITDA is not reduced by equity-based ompensation presed djusted EBITDA is a non-GAAP liquidity measure Please refer to page 60 of this Annual Report on Form 10-K for a reconciliation of Adjusted EBITDA to cashprovided by operating activities.
- (4) In calculatingAdjusted EPS, we adjust Net Income (Loss) per Diluted ShareAttributable to Legg Mason, Inc. ShareholdersdeterminedunderGAAP for the per shareimpact of eachadjustment(net of taxes) included in the calculation of AdjustedNet Income.Pleaserefer to page57 of this Annual Reporton Form 10-K for a reconciliation of AdjustedEPS to Net Income(Loss) per Diluted ShareAttributable to Legg Mason, Inc. Shareholders.
- ⁽⁵⁾ For relative total stockholder eturn, the stock price change splus dividends paid on Legg Mason common stock over the fiscal year are compared o data for a group that includes eight other asset management om panies consisting of Franklin Resourcesinc., Eaton Vance Corp, T. Rowe Price Group, Inc., Alliance Bernsteir Holding LP, Black Rock, Inc., Affiliated Managers Group, Inc., InvescoLtd. and Federated nvestors inc.
- ⁽⁶⁾ Relativeorganicgrowth rate of long-termAUM is defined astrailing twelve monthlong-termassenet flows divided by beginninglong-termassets undermanagement.

The Committee identified the qualitative factors related to Legg Mason is strategic per ating priorities for fiscal year 2020. These qualitative factors further support Legg Mason is strategy of providing global investors with a diversified set of choices of investment strategies products, vehicles and distribution channels while operating with a high level of effectiveness and efficiency:

StrategicandAffiliate Relationships

- ï¿1/Distribution Effectiveness
- i¿1/Create& SupportDifferentiatedandExcellentClientExperience
- ∕**F**uelGrowth
- ï¿1/CreateAlignmentAcrosstheOrganization

OrganizationaHealth

ï¿1/Drive for Diversity & Inclusionasa CorePriority

∕DevelopTalent

∕Fortify Risk Management

After the endof fiscal year 2020, the Committee approved he final incentive awards for the named executive of ficers. In making its determinations the Committee considered each of the financial performance metrics identified below. This set of metrics includes measure that reflect the actions of our management earn and employees as well as measure that are influenced by factors outside the management earn is control but heavily correlated to the returns experience by our stockholders Financial metrics are weighted 60%.

Metric *	FY2020 Target	FY2020 Actual	Variation
Net revenue Adjusted Earnings per share	2,461 million 3.71	2,468 million 3.76	+7 thousand +0.05
Strategic restructuring cost savings	67 million	68 million	+1 million
Adjusted EBITDA Adjusted Operating M gi n	604 million 24.7%	645 million 24.8%	+41 million +0.1%

* AdjustedEarningsperShareAdjustedEBITDA andAdjustedOperatingMargin are non-GAAP financial measures. Pleaseepages6 to 61 for a reconciliation of eachof these measures the respective most nearly comparable AAP measure.

The Committeedid not consider the secondier relative metrics for fiscal year 2020 incentive decisions due to the impact of the proposed Mergeron Legg Mason is to characterize and the impact of COVID-19 on relative performance.

The Committe @ lso evaluated he following strategi @ ualitative factors, with Strategi @ ndAffiliate Relationshipmetrics weighted 30%, and Organizationa Health metrics weighted 10%:

Strategic andAffiliate Relationships Priority	Strategic Focus for FY20 and Highlights of Key Outcomes
Distribution Effectiveness	 Focus: Assess and redesign of the Legg Mason Global Distributigranization Key Outcomes: Nearly \$50 million of cost saves Revamped granizational and management structure to better align value chain
Create & Support Differentiated and Excellent Client Experience	 Focus: Maintain highest level of client engagement and retention Expand development and distribution of tailored digital solutions Increase commercially relevant products Key Outcomes: Positive net flows through February Launched 13 new strategies in vehicles including funds, ETFs and SMAs
Fuel Growth	 Focus: Ensure acquisitions and investments result in commercial opportunities Maintain leading edge advantage with investments made Identify funding sources for products approved by the Capital Committee process Key outcomes: Actively supported commercialization of strategic investment partner Precidian Achieved key client wins with strategic investment partners Embark, Quantifieed and Financial Guard Acquired IFSInvest inAustralia, providing access to a new and growing channel
CreateAlignmentAcross the Oganization	 Focus: Better understand the key cultural drivers across the niz ation that both create alignment and prevent alignment Evaluate the utilization of incentives to support alignment Identify common technology solutions to accelerative inficiencies and transparency across the company Key outcomes: Integration of RARE into ClearBridge proceeding on pace Common financial platform implemented for all investme fitiates Completed operational analysis of corporate and distribution functions

Organizational Health	Strategic Focus for FY20 and Highlights of Key Outcomes
Priority	
Drive for Diversity and	Focus:
Inclusion as a Priority	 Increase diversity representation within Legg Mason
	Key Outcomes:
	 Exceeded goal for filling replacement positions with women or people of color in the US
DevelopTalent	Focus:
	 Ensure robust talent succession (long-term and geeney) plan is in place for Legg Mason
	 Ensure better talent outcomes through the intentional use of performance and potent assessments for Legg Mason employees in talent decisions (e.g. compensation, retention, promotion, assignments, etc.)
	- Create a learning culture at Legg Mason
	Key outcomes:
	- Documented succession plans for 100% of positions reporting to exectitizees of
	- Enhanced documentation of development plans for employees
	- Launched two DatAnalytics programs and 15 digital learning pathways for employees
Fortify Risk	Focus:
Management	- Support execution of the strategic restructuring
	- Ensure risk management plan is in place for pending non-US regulatory changes
	Key Outcomes:
	- Established and implemented risk assessment plan for the strategic restructuring
	 Established and implemented compliance plans for Brexit and feesenior Managers and Certification Regime in the U.K.

The Committeeconsidered he information which showed Legg Mason sift acal year 2020 overall financial performance relatively flat on an absolutebasis, and on plan, and determined in ancial goals were met 100%. The Committee also assessethe accomplishment that management chieved buring the fiscal year in executing on Legg Mason stategic priorities established under the Strategic and Affiliate Relationships at egory and the Organizationa Health category of metrics, giving consideration the impact that the pending Mergerhadon the degree of progresson certain of the strategic priorities. The Committee also discussed market pay information, the feedback the Chair of the Committee had received in discussingCEO compensation with the independend irectors who are not members of the Committee, and the pay recommendation for the other executives Astá result of the discussion the Committee agreed hat the performance esult achieved or the fiscal yearbase don the achievement and er the non-financial metrics categorie and the weightings was ii. 1/2 meters artially meets and with the range provided for, agreed or ecommendor approvaby the Board agross incentive for the CEO of \$8,300,000 below the target of \$9,500,000 For the four other named executive officers, the Committee approved a grossincentive at target for all but one, whose approved grossincentive was below target. The Committee concluded that the award decisions were supported by Legg Mason sife ancial performance and resulted in appropriate compensation LeggMason set ecutive officers relative to compensation aid by peers. See 1.12 Executive officers relative to compensation - PotentialPaymentson Terminationor a Changeof Controlor Retiremention a discussion f paymentsin January 2020, in connection with an executive earnest ructuring announce of May 2020, to two name executive fficers who left Legg Masoneffective January 1, 2020.

Determination of Fiscal Year 2020Total Direct Compensation

The following table shows the named executive officer bases alary and incentive compensation for fiscal year 2020 that was awarded or approved by the Committee. The Committee stablishes and awards incentive compensation for a fiscal year at or after the end of the fiscal year in order to reflect the full years the award decisions. Thus, this table differs from the Summary Compensation Table primarily because treflects for fiscal year 2020 the value of equity awards that were awarded in May 2020 and are part of fiscal year 2020 incentive compensation, while the Summary Compensation Table includes in fiscal year 2020 the value of equity awards made in May 2019 that are part of fiscal year 2019 incentive compensation. Frances L. Cashman and Thomas K. Hoops appear as

named executive officers in the Summary Compensation Table, but do not appear in the table below, because their employment ended as of January 1, 2020 and they were not considered for incentive compensation for fiscal year 2020.

Name	Base Salary	Cash Incentive Payment	Deferred Cash Unit Award	Total Incentive Award ⁽¹⁾ Co	Total mpensation
JosephA. Sullivan	\$ 500,000 \$	2,490,000\$	5,810,000\$	8,300,000\$	8,800,000
Peter H. Nachtwey	350,000	1,406,250	1,718,750	3,125,000	3,475,000
TerenceA. Johnsoff)	285,975	1,200,870	1,467,730	2,668,600	2,954,575
Patricia Lattin	350,000	416,250	508,750	925,000	1,275,000
Thomas C. Merchant	350,000	810,000	990,000	1,800,000	2,150,000

⁽¹⁾ Total incentive award is the sum of cash incentive payment and deferred cash unit award.

⁽²⁾ Mr. Johnsonsi stalary of U.S. \$350,000, as determined based on the solution in feature in feature on the day he became an executive finder in 2013, is paid in GBRUsing an average conversion rate of 1.271 for fiscal year 2020, Mr. Johnson received U.S. \$285,975 in base salling syncentive award was converted from GBRUSD using the conversion rate on the award date, May 15, 2020, which was 1.213.

Determination of Fiscal Year 2020 Incentive Awards for Executives

For fiscal year 2020, all incentive awards that would have been granted as equity awards in prior years were awarded as deferred cash units. In approving these incentive awards (and determining the split between cash and deferred cash) the Committeeled the full Board in its review of Mr. Sullivan in his performance SCEO, giving consideration to his responsibilities contributions and achievement sluring the fiscal year as well as market practices. In addition, with Mr. Sullivan present the Committee considered the following with respect to the other named executive of ficers:

ï¿%Their individual responsibilitiesand achievements/uring the fiscal year,

ï¿Marketpractices,

i ¿ 1/2 r. Sullivan is 1/2 we we as to the individual performance and contributions by the name dexecutive officer during the fiscal year, and

i¿ Mr. Sullivanie Wews of the initiative, busines sudgmentand management kills of the name dexecutive officer.

The Committee approved incentive awards are summarized in the table below:

Name	Target Incentive Awards	Total Incentive Award	% Paid in Cash	% Paid in Deferred Cash Units
JosephA. Sullivan	\$ 9,500,000\$	8,300,000	30%	70%
Peter H. Nachtwey	3,125,000	3,125,000	45%	55%
TerenceA. Johnson	3,285,573	2,668,600	45%	55%
Patricia Lattin	925,000	925,000	45%	55%
Thomas C. Merchant	1,800,000	1,800,000	45%	55%

Determination of Individual Named Executive Officersi Jotal Direct Compensation for Fiscal Yeari ¿1/22020

JosephA. Sullivan�����ñchief Executive Officer

Mr. Sullivan statal direct compensation for fiscal year 2020 included (i) a \$8,300,000 ncentive award and (ii) a \$500,000 salary Seventypercent of Mr. Sullivan site centive compensations in the form of deferred cashunits, compared o 55% for our othernamed executive officers, emphasizing the Chief Executive Officer's greater accountability for longer term results. Mr. Sullivan state year 2020 compensation salary plus incentive award) is down 2% from his fiscal year 2020 compensation salary plus incentive award) is down 2% from his fiscal year 2020. The Committee determined that this result was appropriate in light of Legg Mason sfit ancial performances discussed bove and Mr. Sullivan spectromances and show and the goals stablished under the non-financial performancemetrics.

Mr. Nachtweystofaldirectcompensatio for fiscal year2020 included (i) a \$3,125,000 ncentive award and (ii) a \$350,000 salary Mr. Nachtweystofacal year2020 compensation (salary plus incentive award) is up 3% from his fiscal year2019 compensation and at target for fiscal year2020. The Committee determined that this result was appropriate in light of LeggMasonst fixancial performance and Mr. Nachtweysperformance gainst hego also stablished in det the non-financial performance netrics.

TerenceA. Johnson Head of Global Distribution

Mr. Johnsonäto Kaldirect compensatio for fiscal year 2020 included (i) a \$2,668,600 ncentive award and (ii) a \$350,000 salary Mr. Johnson fiscal year 2020 compensation (salary plus incentive award) representa 14% increase from his fiscal year 2019 compensation and 85% of target for fiscal year 2020. The Committee determined that this increase was appropriate in light of Legg Mason is fix ancial performance and Mr. Johnson is performance agains the goals established under the non-financial performance metrics.

Thomas C. Merchant������ï¿

Mr. Merchantätötal direct compensation fiscal year 2020 included (i) a \$1,800,000 ncentive award and (ii) a \$350,000 salary Mr. Merchantätis fiscal year 2020 compensation (salary plus incentive award) represents 4% increase from his fiscal year 2019 compensation and is at target for fiscal year 2020. The Committee determined that this increase was appropriate in light of Legg Masonätis and increase and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of Legg Masonätis and is a target for mance and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of Legg Masonätis and is a target for mance and Mr. Merchantätis (salary for mance and salary for mance and Mr. Merchantätis) of Legg Masonätis and salary for mance and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of Legg Masonätis (salary for mance and Mr. Merchantätis) of the salary for mance and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of the salary for mance and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of the salary for mance and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of the salary for mance and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of the salary for mance and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of the salary for mance and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of the salary for mance and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of the salary for mance and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of the salary for mance and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of the salary for mance and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of the salary for mance and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of the salary for mance and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of the salary for mance and Mr. Merchantätis (salary for mance and Mr. Merchantätis) of the salary for mance and Mr. Merchantätis (salary for mance and Mr. Merchantatis) of t

Patricia Lattin��� Chief Human Resources Officer

Ms. Lattinis total direct compensation fiscal year 2020 included (i) a \$925,000 incentive award and (ii) a \$350,000 salary Ms. Lattinis total year 2020 compensation (salary plus incentive award) represent a 6% increaserom herfiscal year 2019 compensation and is attarget for fiscal year 2020. The Committee determined hat this increase was appropriate in light of Legg Mason's fix ancial performance and Ms. Lattin's performance gains the goals established in derthe non-financial performance metrics.

CompensationGovernance,Processand Incentive Decisions

Role of CompensationCommittee and Non-EmployeeDir ectors

The Committee's responsible for overseeing and implementing our named executive officer compensation programs. The Committee's to the includes:

- i¿ Betermining the corporategoals and objectives relevant to the compensation of our CEO, including incentive compensation and evaluating the CEO sport formance elative to those goals,
- ï¿ Determining the compensation of our CEO, including incentive compensation,
- i¿ Establishingandapprovingcompensationplansfor namedexecutive officers based on the recommendations of the CEO and the Committee is the mean and the committee is the committee
- ï¿Annually reviewing and, where appropriate adjusting the bases alaries of our name dexecutive officers,
- pprovingtheincentivecompensation f namedexecutiveofficers and awards under our incentive plans and and
- ï¿Øverseeingherisksarisingfrom our executiveofficer compensatiopolicies and practices.

Our independent directors must approve the Committee scletter minations order to set CEO compensation.

In implementingits role in the compensation program, the Committee uses information from a number of sources. The information utilized by the Committee includes advice from its compensation consultant data regarding the compensation practice soft asset management competitors that is discussed in more detailabove and tally sheets howing prior compensation awards to, and outstanding equity holdings of, name dexecutive officers.

Role of Management

Our management under the leadership our CEO, plays an important role in establishing and maintaining our named executive officer compensation programs. Management at a trade includes recommending plans and programs to the Committee implementing the Committee and administering plans in support of the Committee Our CEO also provides information on the individual performance of the other named executive officers and makes annual recommendation to the Committee on compensation evels for all other named executive officers. Our CEO also has delegated authority from the Committee on succertain equity awards under the Legg Mason, Inc. 2017 Equity Incentive Plan, as amended subject to terms and limitations established by the Committee, as permitted under that plan.

Role of Committee is Compensation Consultant

The Committees Artergives it the authority to retain and approve fees and other terms of engagement for compensation consultants and other advisors to assist in performing its duties. For fiscal year 2020, the Committee retained Semler Brossy as its independencompensation consultant Semler Brossy reports directly to the Committee and the Committee annually reviews the performance of Semler Brossy

The Committeeconsideredhe independence f SemlerBrossyin light of SEC rules and NYSE Listing Standards and determined hat SemlerBrossy is independent under those rules and standards The Committee also assessed hypotential conflicts of interestarising out of the consultant with an behalf of the Committee. The Committee discussed all relevant factors, including those cited in SEC rules, and concluded that the work of the consultant did not raise any conflict of interest.

TheCommitteehasinstructedSemleiBrossytoprovideadviceandguidanc@ncompensatioproposalsincludingproposed compensationamounts_the designof incentiveplans, the setting of performanc@oalsandthe design of otherforms of compensationandbenefitsprograms as well as relevant information about market practiceand trends. Typically, Semler BrossyattendsCommitteemeetingsreviewsexistingcompensatioprograms oensureconsistency with our compensation philosophyand currentmarket practiceand reviews the comparative information derived from the peergroup and published survey data that the Committee uses when setting compensation.

Other CompensationPoliciesand Practices

Tax Deductibility of Annual Compensation

Until the enactment of the 2017TaxAct, Section 162(m) of the Internal Revenue Codelimited tax deductions or certain annualcompensation excessof \$1,000,000 paid to certain individuals named in the summary compensation ablesof public companyproxy statements Prior to the effectiveness of the 2017 Tax Act, it hadbeen the Committees of actice to pursuecompensatioprogramsthatweredesigned o befully deductible, while retaining the discretion to grantincentive awardsonamedexecutiveofficersthatwerenotfully deductibleunderSection162(m)in orderto balance heeffectiveness of executive compensatiop lanswith the materiality of reduced ax deductions In making these decisions the Committee wasawareof the effect of accumulated ax losses and the amortization of good will for tax purpose on Legg Mason & U/S. federaltax paymentobligations. With the changes implemented under the 2017 Tax Act, effective for Legg Masonas of April 1, 2018, any compensation (including performance-based person pensation) excessof \$1 million that is paid for fiscal year2020to a covered employee will be non-deductible However compensation provided pursuant o a written binding contractin effect as of November2, 2017, which is not thereafter modified in any material respect can be grandfathered under the 2017 Tax Act and continue to be deductible (assuming compliance with other relevant requirements f Code Section162(m)asin effect prior to the effective date of the 2017TaxAct). The Committee has considered uidances and when it becameavailable regarding the continued deductibility of compensationa warded under arrangement prior to November2, 2017 but paid after April 1, 2018. None of the determinations that the Compensation Committee made in fiscal year 2020 were intended to modify or otherwise affect in any material respectany remuneration provided pursuant to a written binding contractin effect as of November2, 2017.

Equity Grant Practices

We do not have any program, plan or practice to time equity awards to our employees in coordination with the release of material non-public information. We do not grant equity awards based nour stock price. If we are in possession of material non-public information, either favorable or unfavorable, when equity awards are made, the Committee will not take the information into consideration determining award amounts. The Committee customarily authorizes annual equity awards are made in the committee of the commit

to namedexecutiveofficers at its regularlyscheduledmeetingin April. Our practicehasbeento determine the exercise price or fair marketvalue for annualnamedexecutiveofficer equity awards on the day that incentive awards are paid in May. No equity awards have been authorized or issuance for fiscal 2020 due to the restrictions on the issuance of equity under the terms of the Merger Agreement.

CompensationClawback Policy

If the Committeedetermines that it is appropriate Legg Masonmay recover from a name dexecutive officer the amount of previously paid incentive compensation (including both cashbonuses and equity awards) that the Board of Directors determines to be appropriate in two circumstances:

- i; 1/2 a participants; a facts or omissions are a significant contributing factor to a requirement that Legg Mason restate its reported inancial results due to a material error, or
- i¿ 1/2 the participant 法分 ployments terminated or i¿ 1/2 cause 定 das instances of grossnegligence willful misconductor willful malfeasance hat materially adversely impact the company 选择 putation or business willful violations of law that materially adversely affect the company 资 按 putation or business or the ability of the officer to be associated with an investmentad viser; or the ft, embezzlement fraud.

This clawbackprovision is intended to mitigaterisk and provide enhance defaguard against certain types of employee misconduct and allows for recovery of significant compensation paid to an employee who engage is such misconduct.

Stock Ownership Guidelines

Our Board of Directors has adopted stock ownershipguidelines for directors and executive officers as shown in the table below Directors and executive officers are permitted a five-year graceperiod to reach the applicable ownershiple vel established inder the guidelines. Our equity award retention policy requires that executives etain 50% of the net after tax shares eceived from all equity awards until they have reached he ownershiple vel in the ownershipguidelines. From time to time, our executive officers may implement a 10b5-1 plan for individual financial planning purposes.

Executiveofficers are expected o own shares f common stock, including restricted stock, restricted stock units and shares of phantom stock as shown below. As of May 15, 2020, all executive officers were in compliance with the guidelines.

Title	Guideline Shares
Directors	Required to own shares with value at least equal to 5x annual cash retainer
Chief Executive Offcer	Required to own shares with value at least equal to 8x base salary
Senior Executive/ice Presidents	Required to own shares with value at least equal to 5x base salary
Other Executive Officers	Required to own shares with value at least equal to 2x base salary

Hedging and Pledging Policies

Our Boardof Directorshasadopted policy regarding acquisition and disposition of Legg Mason securities that, among other things and subject to certain exceptions prohibits directors or executive officers from trading in listed and over the counteroptions and derivatives that relate specifically to securities issued by Legg Mason. Over time, our Board has strengthene dur policies relating to hedging and pledging involving Legg Mason securities to prohibit executive officers and directors and their relate accounts from pledging Legg Mason securities or engaging in any transaction that effectively hedge the value of Legg Mason securities. The Boardhas, however, authorized Trian, an institutional investment manager and funds managed by Trian (collectively, i ¿ Man Fundsi ¿ Milliated with our directors. Messrs Peltz and Garden to hold shares of Legg Mason common stock along with other investment securities with a prime broker, which prime broker may extend margin credit to such Trian Funds from time to time, subject to applicable federal margin regulations, stock exchanger ules and credit policies. None of the aforementioned shares are held directly by Mr. Peltzor Mr. Garden.

CompensationCommittee Report

The CompensationCommittee of the Board of Directorshas reviewed and discussed he CompensationDiscussion and Analysis required by Item 402(b) of RegulationS-K with management and, based on that review and discussion the CompensationCommittee has recommended to the Board of Directors that the CompensationDiscussion and Analysis be included in this Annual Report on Form 10-K for the yearended March 31, 2020.

COMPENSATION COMMITTEE Alison A. Quirk, Chair Edward P.Garden* JohnV. Murphy

*Mr. Garden became a member of the Compensation Committee in May 2019

Summary CompensationTable

Thefollowing tablesummarizes the total compensation during the fiscal yearended March 31,2020 four Chief Executive Officer, our Chief Financial Officer and each of our three other most highly compensate executive officers during the fiscal year The information in this table differs from the information in the table above under i 21/2 Compensate is and Analysis-Determination of Fiscal Year 2020 Total Direct Compensation of March 31,2020 (during fiscal year 2020) that are actually part of fiscal year 2020 the value of equity awards made May 2019 (during fiscal year 2020) that are actually part of fiscal year 2020 incentive compensation; ather than the value of awards made in May 2020 (during fiscal year 2020) that are actually part of fiscal year 2020 incentive compensation.

Name and Principal Position*	Fiscal Year	Salary (\$)	Cash Bonus (\$) ⁽¹⁾⁽²⁾	Stock Awards (\$) ⁽³⁾	Option Awards (\$) ⁽⁴⁾	All Other Compensation (\$) ⁽⁵⁾	Total (\$)
JosephA. Sullivan ⁽⁶⁾	2020 \$	500,000 \$	2,490,000\$	5,246,904\$	2⁄′; ن	\$ 483,083	\$8,719,987
Chief Executive Offcer	2019	500,000	3,400,000	5,732,643	∕′;ئ	319,627	9,952,270
	2018	500,000	4,000,000	3,320,000	1,660,000	194,250	9,674,250
Peter H. Nachtwey	2020	350,000	1,406,250	1,556,076	∕′;ئ	108,622	3,420,948
Chief Financial Officer	2019	350,000	1,512,500	1,552,581	∕′;ئآ	85,364	3,500,445
-	2018	350,000	1,625,000	953,000	476,000	61,186	3,465,186
TerenceA. Johnson ⁽⁷⁾	2020	285,975	1,200,870	1,251,298	½غï	89,632	2,827,775
ExecutiveVice President	2019	279,423	1,218,146	2∕′;	∕′;ئ	82,802	1,580,371
-	2018	273,694	2⁄′;ï	1,111,120	555,560	91,036	2,031,410
Patricia Lattin ⁽⁶⁾	2020	350,000	416,250	437,226	½غï	42,387	1,245,863
Chief Human Resources Officer							
Thomas C. Merchant ⁽⁶⁾	2020	350,000	810,000	882,192	∕′;ئ	72,142	2,114,334
General Counsel	2019	350,000	857,500	876,624	∕′;ئآ	52,621	2,136,745
-	2018	350,000	917,500	500,000	250,000	36,527	2,054,027
Frances L. Cashman ⁽⁸⁾	2020	263,826	2⁄′;ï	2,767,053	88,126	2,174,737	5,293,742
ExecutiveVice President	2019	350,000	837,500	879,015	∕′;ئ	65,589	2,132,104
Thomas K. Hoops ⁽⁶⁾⁽⁹⁾	2020	263,826	½;∦	3,699,115	490,822	2,657,246	7,111,009
ExecutiveVice President	2019	350,000	1,195,000	1,265,965	½غï	57,458	2,868,423
	2018	350,000	1,325,000	780,000	390,000	44,618	2,889,618

* Ms. Cashmarfirst became namedexecutiveofficer in fiscal year 2019. Ms. Lattin first became namedexecutiveofficer in fiscal year 2020.

- (1) Representincentiveawardsin fiscal years2018,2019 and 2020. Seeï ¿½Compensations and Analysis-Determination of Fiscal Year 2020 Total Direct Compensation for / discussion regarding the fiscal year 2020 incentiveawards.
- (2) Doesnot include \$5,810,000 \$1,718,750 \$1,467,730 \$990,000 and \$508,750 awarded as incentive compensation for fiscal year 2020 and paid in the form of deferred as hunit awards to Messrs Sullivan, Nachtwey Johnson and Merchant, and Ms. Lattin respectively on May 15, 2020.
- Represent the aggregate in value of restricted stock unit awards and performance hare unit awards maded uring each fiscal year ascalculated in accordance (3)with accountinguidanceapplicable for the type of award. For restricted stock unit awards, Legg Mason is to calculate desthe average of the high and low trading prices of our commonstockon the NYSE on the grant date. Performance hare unit award sarevalued for purposes of this table using a Monte-Carlosimulation pricing model. The amount reported or performance hare units in the table represent the grant date fair value as calculated n accordance ith accountinguidance The potential value of the May 15,2019 performance hare unit awards obedistributed o Messrs Sullivan, Nachtwey JohnsonMerchantHoopsandMmes.Lattin andCashmaiis \$3,825,000\$1,134,375\$912,189\$643,125\$896,250\$318,750and\$628,125respectively if the maximum amountis earned. The potential value of the May 15, 2018 performances hare unit awards to be distributed to Messrs Sullivan, Nachtwey Johnson/Merchant,Hoopsand/Mmes.Lattin and Cashmaris \$4,500,000\$1,218,750\$0, \$688,125,\$993,750\$341,250and\$690,000 respectively if the maximum amountis earned. The potential value of the May 15, 2017 performances hare unit awards to be distributed to Messrs Sullivan, Nachtwey Johnson/Merchant,andHoops,is \$2,490,000\$714,000\$833,340\$375,000and\$585,000respectively if the maximum amountis earnedNo assurance canbegiven of the number of shares if any that will bee arne and distribute dat the end of a performance period for any performance hare units. See the i/ ½ Stock-Ba See Internation To the fiscal version of the fiscal version of the fiscal version of the fiscal version which the awardwasmadefor a discussion of the assumption as each and the value of each award Amounts reported may not represent the amount sthat the namedexecutiveofficers will actually realize from the awards. Whether and to what extent, a name dexecutiveofficer realizes value will dependen Legg Masons actual operating performances to ckprice fluctuations and the name dexecutive officer's continued employment.
- (4) Represent the aggregate grant date fair value, as calculated n accordance with accounting uidance of stock options granted uring each fiscal year. Stock option awards are valued for purposes of this table using the Black-Schole sption pricing model.
- i¿½ Seethe�Stock-Ba@empensationige#noteto our consolidatedinancialstatementincludedin thisAnnual Reporton Form 10-K for thefiscal yearin which the awardwasmade for a discussion of the assumption seed n estimating hevalue of each award Amounts reported may not represent he amounts that the named executive officers will actually realize from the awards. Whether and to what extent, a name dexecutive officer realizes value will depend on Legg Masonig a dual operating performances to ckprice fluctuations and the name dexecutive officer is gont in ued employment.
- (5) Includesfor all namedexecutiveofficers, BasicLife andAccidentalDeathandDismembermeninsuranc@remiumspaidby LeggMason.Includesfor all namedexecutiveofficers, dividendspaidon unvested estricteds to ckunits and, for executives who elected o deferreceiptof share aftervesting, dividends paidonvested eferred estricteds to ckunits, with \$463,718\$92,542\$43,599\$55,874\$41,421\$26,275and\$39,886paidfor MessrsSullivan,Nachtwey JohnsonMerchantandHoopsandMmes.Lattin andCashmanrespectivelyIncludescontributionsmadeby LeggMasonpursuanto our Profit Sharing and 401 (k) Plan and Trust, with \$16,000,\$15,344,\$15,409,\$12,122,\$15,370and\$12,122contributed for Messrs.Sullivan, Nachtwey Merchantand HoopsandMmes.Lattin andCashmanrespectivelyIncludesdiscountamountscredited.underourDeferredCompensation/PhantoBitockPlanfor Messrs. Sullivan andMerchantandMmes.Lattin andCashmanandmatchingcontributionsunderthe EmployeeStockPurchas@lanfor Mr. Sullivan.Includes stipendamountsof \$250paid to eachnamedexecutiveofficer who was employed by LeggMasonat March 31, 2020, exceptfor Mr. Johnsonwho was paid the stipendin fiscal year2021, for payment additional expenses incurred as a result of all employees being required to work remotelyduring the COVID-19 pandemic.Includes for Mr. Johnsoncontributionsmade by LeggMasonin the amount \$22,189for a healthinsuranc@rogramthat constitutes perquisite Amountsarepaid in GBP and converted nto U.S. dollars using the average onversiorrate of 1.271for fiscal year2020.
- (6) Includescashcompensation oluntarily deferred under the Deferred Compensation Fund Planas follows: Messrs Sullivan and Hoops deferred \$500,000 and \$298,750 respectively from their May 15, 2019 bonus, Mr. Merchant deferred total of \$119,292 from his salary and May 15, 2019 bonus and Ms. Lattin deferred total of \$13,417 from hersalary
- (7) Mr. Johnsons salaryof U.S. \$350,000 as determine do as edun the GBP exchange atein effect on the day he became an executive officer in 2013, is paid in GBP. Using an average conversion rate of 1.271 for fiscal year 2020, Mr. Johnson received U.S. \$285,975 in bases alary Includes \$14,299 in cash compensation with respect o which Mr. Johnson relected to deferre ceipt under a pension schemeregistered in the UK.
- (8) Ms. Cashmarägiaploymenterminated ffective as of January1, 2020.All other compensation includes the following in connection with the termination of heremploymenta cashpayment \$\$2,112,500 representing everance ay, post-employmente althcare subsidy \$\$4,742 and outplacements ervices of \$\$5,000.Ms. Cashmarals or eceived accelerated esting of all restricted stock unit awards that hadnot vested at the time of hertermination. Her stock option awards and performance hare unit awards were modified to allow for continued vesting Amounts in the Stock Awards and Option Awards columns include accounting hages of \$1,202,193 or acceleration frestricted stock units, \$703,243 or modification of performance hare units, and \$88,126 or modification of stock options.
- (9) Mr. Hoopsietaploymenterminated ffective as of January 1, 2020. All other compensation includes the following in connection with the termination of his employmenta cashpayment of \$2,598,654 epresenting everance as a construction of the termination. His stock of \$4,684. Mr. Hoopsals or ceived accelerated esting of all restricted stock unit awards that had not vested at the time of his termination. His stock option awards and performance hare unit awards were modified to allow for continued vesting Amounts in the Stock Awards and Option Awards columns include accounting hages of \$1,349,517 for acceleration frestricted stock units, \$1,120,177 or modification of performance hare units, and \$490,822 or modification of stock options.

Grants of Plan-BasedAwards

The following table provides information concerning each plan-based award granted, and awards modified, during the fiscal year ended March 31, 2020 to our named executivers.

Name	Grant Date ¹⁾	Committee Action Date	Estimated Future Payouts Under Equity Incentive Plan Awards Thr eshold (#) ⁽²⁾	Estimated Future Payouts Under Equity Incentive Plan Awards Target (#) ⁽²⁾	Estimated Future Payouts Under Equity Incentive Plan Awards Maximum (#) ⁽²⁾	All Other Stock Awards: Number of Shares of Stock Units (#) ⁽³⁾	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Close Price	Grant Date Fair Value of Stock and Option Awards ⁽⁴⁾
JosephA. Sullivan	5/15/2019	4/29/2019				71,669			36.29	2,550,000 (5)
	5/15/2019	4/29/2019	17,917	71,669	107,504				36.29	2,696,904 (6)
Peter H. Nachtwey	5/15/2019	4/29/2019				21,255			36.29	756,250 (5)
	5/15/2019	4/29/2019	5,314	21,255	31,883				36.29	799,826 ⁽⁶⁾
TerenceA. Johnson	5/15/2019	4/29/2019				17,092			36.29	608,126 (5)
	5/15/2019	4/29/2019	4,273	17,092	25,638				36.29	643,172 ⁽⁶⁾
Patricia Lattin	5/15/2019	4/29/2019				5,972			36.29	212,500 (5)
	5/15/2019	4/29/2019	1,493	5,972	8,958				36.29	224,726 (6)
Thomas C. Merchant	5/15/2019	4/29/2019				12,050			36.29	428,750 (5)
	5/15/2019	4/29/2019	3,013	12,050	18,075				36.29	453,442 (6)
Frances L. Cashman	5/16/2012	5/20/2019					2,112	23.72	24.05	20,001 (7)
	5/16/2013	5/20/2019					3,298	35.16	35.28	40,005 (7)
	5/16/2014	5/20/2019					6,650	47.64	48.10	80,000 (7)
	5/16/2014	5/20/2019					3,325	47.64	48.10	40,000 (7)
	5/15/2015	5/20/2019					11,754	54.51	54.69	131,997 (7)
	5/02/2016	5/20/2019					13,228	31.57	31.90	100,004 (7)
	5/13/2016	5/20/2019				19,437			30.64	607,212 (8)
	5/15/2017	5/20/2019				17,422			37.79	655,764 (8)
	5/15/2018	5/20/2019				11,747			38.95	460,013 (8)
	5/15/2019	5/20/2019				11,769			36.29	418,750 (8)
	5/15/2018	5/20/2019	2,937	11,747	17,621				39.16	419,015 (7)
	5/15/2019	5/20/2019	2,942	11,769	17,654				36.29	442,867 (7)
Thomas K. Hoops	5/16/2014	5/20/2019					5,542	47.64	48.10	66,670 ⁽⁷⁾
	5/15/2015	5/20/2019					38,557	54.51	54.69	432,995 (7)
	5/13/2016	5/20/2019					49,745	31.24	30.64	390,001 ⁽⁷⁾
	5/15/2017	5/20/2019					46,819	37.64	37.79	390,002 (7)
	5/13/2016	5/20/2019				12,484			30.64	390,000 (8)
	5/15/2017	5/20/2019				10,361			37.79	389,988 (8)
	5/15/2018	5/20/2019				16,918			38.95	662,509 (8)
	5/15/2019	5/20/2019				16,793			36.29	597,500 ⁽⁸⁾
	5/15/2017	5/20/2019	3,103	12,412	18,619				37.79	389,985 (7)
	5/15/2018	5/20/2019	4,230	16,918	25,377				39.16	603,465 (7)
	5/15/2019	5/20/2019	4,198	16,793	25,190				36.29	631,921 ⁽⁷⁾

(1) Awardsgrantedon May 15, 2019 reflect performance for fiscal year 2019.

(2) Performancshareunits wereawarded n May 15, 2019 pursuanto our 2017 Equity Incentive Plan. Performancs hareunits may be earned and vested at the end of a three year performance period based on Legg Mason & diganic growth rate and relative total stockholder eturn ranked againsta peer group which, as of March 31, 2020, includes 15 other firms. The potential payout ranges from 0 - 150%. The three year period began on April 1, 2019 and will endon March 31, 2022.

- (3) Restrictedstockunits wereawardedon May 15, 2019 pursuanto our 2017 Equity IncentivePlan. The restricted stockunits vestin 25% increments over four yearson April 30, 2020, April 30, 2021, April 30, 2022 and April 30, 2023. Dividends are paid on share sof restricted stockunits at the same time, and in the same amounts as dividends are paid on other outstanding share sof our common stock. Executive officers were permitted to elect to deferreceipt of share after vesting. Mr. Merchantmade a deferral election with respect to the May 2019 award Any deferral hadto have been made in five year increments from the applicable vesting date (and only one designate deferral date could be elected for any award of restricted stock units). A designate deferral date will cease to be effective and any deferred estricted stock units will be distributed as permitted under applicable tax law upon(i) a separation from service, including a separation from serviced ue to deathor disability, or (ii) a change of control as defined in the award agreement for the restricted stock units. See i, ½ Poten Ralyments on Termination or a Change of Control, i, b/d low i; ½
- (4) The grant date fair value is the total amount that we will recognize san expense verthe award sidesting period under applicable accounting equirements. For certain awards identified in footnotes below, incrementable persevent the date of the awards on May 20, 2019.
- (5) The restricted stock units grant date fair value was calculated by multiplying the number of restricted stock units granted by the average of the high and low trading prices of our common stock on the NYSE on the grant date.
- (6) The performance hareunits grant date fair value was estimated based on a multiple fair value Monte Carlo pricing model, and calculated at \$37.63. The following assumption sveremade for purposes of the May 15, 2019 calculation:

Expected Dividend/ield	4.41%
Average Expected Stock Pridelatility	23.96%
Risk Free Interest Rate	2.11%

The actual value realized if any will be dependent on overall market conditions our future performance and the future prices of our common stock. There can be no assurance that the actual value realized will approximate the amount calculated under the valuation model.

- (7) On May 20, 2019, outstandingstockoption awardsandperformanceshareunit awardsissuedto Ms. CashmarandMr. Hoopsweremodified to allow for continuedvestingfollowing termination of their employment. The numbers of shares and grant date fair value amounts represent he original award and the original fair value amount on the date of grant. The incremental expense ecognized as a result of the modification of stock option awards \$88,126 and \$490,822 respectively for Ms. CashmarandMr. Hoops. The incremental expense ecognized as a result of the modification of performances hareunit awards \$703,243 and \$1,120,177 respectively for Ms. CashmarandMr. Hoops. The stock option grant date fair value was calculated using the Black-Scholesoption pricing model value on the grant date.
- (8) On May 20, 2019, outstanding estricted stock units issued to Ms. Cashmarand Mr. Hoopswere modified to allow for acceleration upon termination of their employment. The numbers of shares and grant date fair value amounts represent the original award and the original fair value amount on the date of grant. The incremental expense ecognized as a result of the modification of restricted stock unit awards \$1,202,193 and \$1,349,517 respectively for Ms. Cashmarand Mr. Hoops.

Outstanding Equity Awards at March 31,2020

The following table provides information as of March 31, 2020 about the outstanding equity awards held by our named executive dicers.

		Option	n Awards ⁽¹⁾⁽²⁾		StockAwards				
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) ⁽³⁾	Market Value of Shares or Units of Stock That Have Not Vested (#) ⁽³⁾	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (\$) ⁽⁴⁾	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (\$) ⁽⁴⁾
JosephA.	5/2/2013 ⁽⁵⁾	500,000	�	31.46	5/2/2023				
Sullivan	5/16/2013	44,518	<u>ئ</u> 'ئ	35.16	5/16/2021				
	5/16/2014	149,626	<u>ئ</u> 'ئ	47.64	5/16/2022				
	5/15/2015	186,999	<u>ئ</u> 'ئ	54.51	5/15/2023				
	5/13/2016	158,801	52,934	31.24	5/13/2024				
	5/15/2017	99,640	99,640	37.64	5/15/2025				
	5/13/2016					13,285	648,972		
	5/15/2017					22,051	1,077,191		
	5/15/2018					57,457	2,806,774		
	5/15/2019					71,669	3,501,031		
	5/15/2017							79,249	3,871,314
	5/15/2018							114,914	5,613,549
	5/15/2019							107,504	5,251,570
Peter H.	5/15/2015	47,106	ï;½	54.51	5/15/2023				
Nachtwey	5/13/2016	¹ /2	15,179	31.24	5/13/2024				
	5/15/2017	½;ئ	28,572	37.64	5/15/2025				
	5/13/2016					3,818	186,509		
	5/15/2017					6,337	309,562		
	5/15/2018					15,561	760,155		
	5/15/2019					21,255	1,038,307		
	5/15/2017							22,725	1,110,116
	5/15/2018							31,122	1,520,310
	5/15/2019							31,883	1,557,485

		Optio	on Awards ⁽¹⁾⁽²⁾	StockAwards					
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#) ⁽³⁾	Market Value of Shares or Units of Stock That Have Not Vested (#) ⁽³⁾	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (\$) ⁽⁴⁾	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (\$) ⁽⁴⁾
TerenceA.	5/15/2015	67,144	<u>ئ</u> 'نï	54.51	5/15/2023		()		(1)
Johnson	5/13/2016	<u>ئ</u> ;1⁄2	19,705	31.24	5/13/2024				
	5/15/2017	�	33,339	37.64	5/15/2025				
	5/13/2016					4,945	241,563		
	5/15/2017					7,378	360,415		
	5/15/2019					17,092	834,944		
	5/15/2017							26,517	1,295,355
	5/15/2019							25,638	1,252,416
Patricia	5/15/2015	5,628	<i>ز</i> ئزة	54.51	5/15/2023				
Lattin	5/2/2016	0,020 �	3,307	31.57	5/2/2024				
	5/13/2016		-,	• · · • ·		2,425	118,461		
5 5 5 5 5	5/15/2017					4,065	198,575		
	5/15/2018					4,357	212,839		
	5/15/2019					5,972	291,732		
	5/15/2018					-,	,	8,714	425,679
	5/15/2019							8,958	437,598
Thomas C.	5/15/2015	21,505	<i>ئ</i> اخ:آ	54.51	5/15/2023				
Merchant	5/13/2016	21,000 ½غ	7,111	31.24	5/13/2024				
Merchant	5/15/2017	تر/2 تز1⁄2	15,006	37.64	5/15/2025				
	5/13/2016	16/2	10,000	07.04	5/15/2025	1,793	87,588		
	5/15/2017					3,321	162,231		
	5/15/2018					8,787	429,245		
	5/15/2019					12,050	588,643		
	5/15/2017					12,000	000,010	11,935	583,025
	5/15/2018							17,573	858,441
	5/15/2019							18,075	882,964
Frances L.	5/16/2014	9,975	�	47.64	5/16/2022				
Cashman ⁶⁾	5/15/2015	11,754	1/2	54.51	5/15/2023				
	5/2/2016	۲۱,70° ½ئة	3,307	31.57	5/2/2024				
	5/15/2018	.0,1	-,					17,621	860,786
	5/15/2019							17,654	862,373
Thomas K.	5/15/2015	38,557	<i>1⁄</i> 2غ	54.51	5/15/2023				
Hoops ⁽⁶⁾	5/13/2016	زني: 1⁄2	12,437	31.24	5/13/2024				
	5/15/2017	ري 12/2	23,410	37.64	5/15/2025				
	5/15/2017	.0/2	20,0	2				18,619	909,538
	5/15/2018							25,377	1,239,666
	5/15/2019							25,190	1,230,532

(1) Option awardswere made pursuant o our 1996 Equity Incentive Plan. The exercise price of each option is equal to the average of the high and low trading prices of our common stock on the NYSE on the grant date. Option holders may use previously owneds hare so pay all or part of the exercise price.

(2) Optionsawardedprior to 2016 are fully vested In all cases the Committee may accelerate heves ting of options As of March 31, 2020, the vesting schedules for the other option awards we reas follows:

Grant Date	Vesting Schedule	Remaining Vesting Dates
05/13/16	25% vests each year for four years from date of grant	05/31/20
05/15/17	25% vests each year for four years from date of grant	05/31/20, 05/31/21

(3) Excludes number of shares and market value representing estricted stock units that would have settled f they had not been deferred As of March 31, 2020,

the vestingschedule for the restricted stock unit awards we reas follows: $\ddot{l}\dot{c}^{1/2}$

Grant Date	Vesting Schedule	Remaining Vesting Dates
05/13/16	25% vests each year for four years from date of grant	04/30/20
05/15/17	25% vests each year for four years from date of grant	04/30/20, 04/30/21
05/15/18	25% vests each year for four years from date of grant	04/30/20, 04/30/21, 04/30/22
05/15/19	25% vests each year for four years from date of grant	04/30/20, 04/30/21, 04/30/22, 04/30/23

(4) For awardsissuedon May 15, 2019 and May 15, 2018, performances hareunits may be earned and vested at the end of a threeyear performance period basedon Legg Mason & March 31, 2020, included 15 other firms. For awardsissuedon May 15, 2017, performances hareunits may be earned and vested at the end of the threeyear performance period basedon Legg Mason & May 15, 2017, performances hareunits may be earned and vested at the end of the threeyear performance period basedon Legg Mason & May 15, 2017, performances hareunits may be earned and vested at the end of the threeyear performance period basedon Legg Mason & May 15, 2017, performances hareunits may be earned and vested at the end of the threeyear performance period basedon Legg Mason & May 15, 2017, performances hareunits may be earned and vested at the end of the threeyear performance period basedon Legg Mason & May 15, 2017, performances hareunits may be earned and vested at the end of the threeyear performance period basedon Legg Mason & May 15, 2017, performances hareunits may be earned and vested at the end of the threeyear performance period basedon Legg Mason & May 15, 2017, performances hareunits may be earned and vested at the end of the threeyear performance period basedon Legg Mason & May 15, 2017, performances hareunits may be earned and vested at the end of the threeyear performance period basedon Legg Mason & May 15, 2017, performances hareunits may be earned and vested at the end of the threeyear performance period basedon Legg Mason & May 15, 2017, performances hareunits may be earned and vested at the end of the threeyear performance period basedon Legg Mason & May 15, 2017, performances hareunits may be earned at the end of the threeyear performance period basedon at the end of the threeyear performance period basedon at the end of the threeyear performance period basedon at the end of the threeyear performance period basedon at the end of the threeyear performance period basedon at the end of the threeyear performance period basedon at t

For the May 15, 2017 award, the threeyear period began April 1, 2017 and ended on March 31, 2020. The amount reflected in the table for the May 15, 2017 award is based on maximum payoutle vel of performance At March 31, 2020, our measurement of TSR for the performance period had us tracking at 141% of target. The actual number of shares was vested and earned following certification of performance esults by the Compensation Committee after March 31, 2020. The Committee exercised to negative discretion aspermitted under the award agreements of approve payout at 105% of target, due to the impact of the proposed Merger on Legg Mason § to ckprice and the impact of COVID-19 on relative performance.

For the May 15, 2018 award, the three year period began on April 1, 2018 and will endon March 31, 2021. The amount reflected in the table for the May 15, 2018 award is based on maximum payout level of performances a result of the TSR and organic growth ranking at March 31, 2020 which yielded a valuation of 125% of target.

For the May 15, 2019award, the threeyear period began April 1, 2019and will endon March 31, 2022. The amount reported in the table for the May 15, 2019award is based on maximum payout level of performance as a result of the TSR and organic growth ranking at March 31, 2020, which yielded a valuation of 125% of target.

- (5) OptionsawardedonMay 2, 2013 representanawardof performance tockoptions to Mr. Sullivanuponhis promotionas Chief ExecutiveOfficer, exercisable only if certaintime basedandstockprice conditions were met. As of March 31, 2020, all conditions had been satisfied: 25% of the awardvested on May 2, 2015, and an additional 25% of the awardvested on each of May 2, 2015, January 15, 2014 and June 5, 2014, upon achievement of specified stock price targets of \$36.46, \$41.46 and \$46.46, respectively for twenty consecutive days as of those dates.
- (6) Awards the table represent nvested stock options and performances hare units which will continue to vest in connection with Ms. Cashmars grad Mr. Hoops is separationarrangements all restricted stock units were accelerated and distributed at the time Ms. Cashmar and Mr. Hoops terminated their employment effective as of January 1, 2020.

Option Exercises and Stock/estedTable

The following table provides information about exercises of stock options and vesting of restricted stock units and performances hare units during fiscal year 2020 for our named executive officers.

	Option Av	wards	StockAwards		
Name	Number of shares acquired on exercise (#) ⁽¹⁾	Value realized on exercise (\$) ⁽¹⁾	Number of shares acquired on vesting(#)	Value realized on vesting (\$) ⁽²⁾⁽³⁾	
JosephA. Sullivan	62,265	931,841	74,530 ⁽⁴⁾	2,480,347	
Peter H. Nachtwey	171,695	2,284,383	20,745	690,265	
TerenceA. Johnson	226,779	2,635,122	20,072	666,167	
Patricia Lattin	28,954	302,828	7,070	236,986	
Thomas C. Merchant	72,532	906,851	10,370 ⁽⁴⁾	345,223	
Frances L. Cashman	15,331	250,739	48,724 (5)	1,705,799 ⁽⁵⁾	
Thomas K. Hoops	66,259	1,031,128	54,751 ⁽⁵⁾	1,911,348 ⁽⁵⁾	

(1) The value realized upon exercise for stock options is calculated by the multiplying the difference between the sale price of the share sunderlying the options and the exercise price of the options by the number of share science between the sale price of the share sunderlying the options. Cashmar and Lattin exercise options for the purchase of 62,265,171,695,226,779,75,532,66,259,15,331,28,954 shares respectively. In connection with the exercise Messrs. Sullivan, Nachtwey Johnson Merchant, and Hoops and Mmes. Cashmar and Lattin sold 49,341,144,852,198,261,60,547, 66,259,15,331, and 24,968 shares respectively for the payment of the option exercise price and related taxes. They retained the balance of the shares upon exercise.

(2) The value realized upon vesting of restricted stock units is calculated by multiplying the fair market value of a share of common stock on the vesting date (the average of the high and low trading prices of Legg Mason common stock on the vesting date) by the number of share vested Messrs Sullivan and Merchanthad 1,800 and 1,085 shares respectively withheld to coverrelated tax withholding on vested and deferred shares Messrs Nachtwey Johnson, and Hoops and Mmes. Lattin and Cashmarhad 4,949,5,685,16,608,3,421, and 17,295 shares respectively withheld to coverrelated tax withholding on vested shares U.S. based executive officers who elected to deferrece iptof shares upon vesting of restricted stock units paid only Medicare and Social Security taxes on the deferred shares upon vesting.

(3) The value realized upon vesting of performance inits is calculated by multiplying the fair market value of a share of commonstock on the vesting date (the average of the high and low trading prices of Legg Mason commonstock on the vesting date) by the number of units vested Fractionals hare that vested were distributed in cash and are included in the value realized amount Messrs Sullivan, Nachtwey Johnson Merchant and Hoopshad7,059,2,050,3,751, 980, and 1,526 shares respectively withheld to cover related tax withholding on vested performance hares.

(4) Effective for the April 30, 2019 vestdate, Messrs Sullivan and Merchanthaveelected o defer the distribution of shares in the respective mount set for the below (before giving effect to shares with held for payment of taxes). In accordance with their respective deferral elections, the shares will be distributed five years after the vest date (subject to any further deferral elections that an executive officer may make).

Name	Grant Date	Vested Defered Shares
JosephA. Sullivan	05/15/2015	9,632
	05/13/2016	13,284
	05/15/2017	11,026
	05/15/2018	19,152
Thomas C. Merchant	05/13/2016	1,792
	05/15/2018	2,928

(5) Vesting of restricted stock unit awards was accelerated when Ms. Cashannahily Hoops is the planet ended fetcive as of January 1, 2020. Amounts include these accelerated awards.

Non-Qualified Deferred Compensation

The Legg Mason & Co., LLC Deferred Compensation/Phanto Btock Planis a non-qualified deferred compensation plan that was available only to a select group of employees, including U.S.-based named executive officers, based on responsibilities and compensation evels. Deferral swereno longeraccepted in the Phantom Stock Planafter Decembe 61, 2014, but dividends continue to be credited as described below. Under the terms of the plan, participant swere able to defer up to \$60,000 n annual compensation apre-tax basis Amounts deferred under the planared eemed invested ni; ½ phantom i; ½ shares of our common stock at a price equal to 90% of the market price on the deemed nvest mentate. Dividend spaid on our common stock are credited to phantom stock at a price equal to 95% of the market price on the dividend payment date. Earnings are accrued as they would be if investing in actual shares of Legg Mason common stock and include market appreciation and dividends Amounts deferred under our Phantom Stock Plan, including contributions by Legg Mason, are fully vested at all times and are not subject to forfeiture. Amounts deferred under this planared is tributed to the participant,

or his or herbeneficiary in shares of our commonstockafter the participant is physical physical and the phys

The Legg Mason, Inc. DeferredCompensationFundPlanis a non-gualified deferred compensation lanthat is available only to a select group of employees including U.S.-based hamed executive officers, based on responsibilities and compensatio levels. Under the terms of the plan, participants may elect to deferup to \$500,000 n annuals alary and certain bonuses and commissions on a pre-taxbasis Amounts deferred under the plan are deemed nvested in 1,2 /2 phantos har less of LeggMasonsponsorednutualfunds(i¿1/2LelglesonFundsi¿Ea)rningsareaccruedastheywould beif investingdirectly in the Legg Mason Funds and include market appreciationand dividends. Amounts deferred under our Deferred CompensationFundPlan, including any earningson those contributions are fully vested at all times and are not subject to forfeiture. Participantsmust elect, at the time they decide to defer compensation whether: (1) to take an in service distribution distribution upontermination;(2) to receive their future distributions from the planin (a) a single lump sum or (b) three equal annual installments (available only if the total account balances greater than \$17,500); and (3) to have the distributions begin immediately after termination on every from the date of termination. Participants will receive distributions in cash exceptor in-service lections which distributions may be made in Legg Mason sedel discretion in sharesof LeggMasonFundsor cashIn addition,LeggMasonwill distributeaccounbalanceso participantsin connection with a change f control if the plan and all substantially similar agreement are terminated with respect to the participants affected by the change of control. For purposes of our Deferred Compensation Fund Plan, a i ¿½ chaing e ontrol eventi will occurupona changein (1) ownershipwithin the meaning i i 1/21.409A-3(i)(5) of regulations promulgated by the U.S. Department of the Treasury (2) effective control within the meaning $i_{i_{1}}$ $\frac{1}{2}$ 1.409A-3(i)(5)(vi) the regulations or (3) ownership fassets within the meaning fi $i \frac{1}{2}$ 1.409A-3(i)(5)(vif) the regulations As noted above Legg Mason announced the execution of the Merger Agreement with Franklin, which would result in a change of control of Legg Mason upon the closingof the transaction.

Throughfiscal year 2020, executiveofficers were able to makeelections to defer the receipt of sharesupon vesting of restricted stock unit awards granted under Legg Mason is 1996 Equity Incentive Plan and 2017 Equity Incentive Plan. To be effective, executive officers had to make a deferral election by Septembe 80 of each calendary ear, with respect to restricted stock units that qualify asperformance-based by pensation and er Section 409 A of the Code, for the fiscal year ending on the following March 31. A deferral election is irrevocable oncemade, except as may be described in an award agreement in the eventane executive officer made a deferral election with respect o any portion of an award, the shares of commons to ckunderlying the deferred restricted stock units would not be distributed to the recipient until the design ated deferral date; provided, however that, unless the award agreement provide so therwise all deferral swill terminate and any shares underlying any vested, deferred restricted stock units will be distributed upon a separation from service or change in control of Legg Mason (as defined in the award agreement) Dividends are paid in cashat the same rate paid to all shareholders.

Thefollowing tableprovides information about non-qualified deferred compensation plantrans action and balance sluring fiscal year 2020 by our name dexecutive officers.

		Executive Contributions in Last FY	Company Contributions in Last FY	Aggregate Earnings in Last FY	Aggregate Balance at Last FYE
Name	Plan	(\$) ⁽¹⁾	(\$) ⁽²⁾	(\$) ⁽³⁾	(\$) ⁽⁴⁾
JosephA. Sullivan	Phantom Stock Plan	"ز1∕2	311	89,049	192,699
	Deferred Compensation Fund Plan	500,000	ï¿1⁄2	(355,814)	2,020,693
	Deferred Restricted Stock Units	1,719,375	2∕1;3	3,185,401	7,429,059
Peter H. Nachtwey	Deferred Restricted Stock Units	ï¿1⁄2	<u>′′</u> ئï	335,884	712,770
Patricia Lattin	Phantom Stock Plan	ï¿1⁄2	6	1,686	3,648
	Deferred Compensation Fund Plan	13,417	�	(3,632)	73,355
Thomas C. Merchant	Phantom Stock Plan	ï¿1⁄2	123	35,163	76,092
	Deferred Compensation Fund Plan	119,292	�	(93,382)	588,338
	Deferred Restricted Stock Units	152,818	�	256,121	603,004
Frances L. Cashman	Phantom Stock Plan	�	122	35,045	75,836
	Deferred Compensation Fund Plan	ئ≀، ا	2∕1;3	(28,760)	171,068
Thomas K. Hoop ⁽⁵⁾	Deferred Compensation Fund Plan	298,750	2∕′غï	(90,186)	1,589,414

(1) Executiveofficer contributions include amounts deferred under the Deferred Compensation Fund Plan and the value of shares deferred upon vesting of restricted stock units during fiscal year 2020. The Deferred Compensation Fund Plan amounts are included in the Summary Compensation and/orbonus. The deferred estricted stock units are included in the Summary Compensation ableass to ckawards in the year that they were granted. The shares deferred upon vesting of restricted stock units are valued upon vesting by multiplying the fair market value of a share of common stock on the vesting date (the average of the high and low trading prices of Legg Mason common stock on the vesting date) by the number of shares deferred. The number of shares deferred fiscal year 2020 for Messrs Sullivan and Merchantare 53,094 and 4,720 respectively. The sedeferred shares are a portion of the vested shares effected in the Option Exercises and Stock Vested Table. U.S. based executive of ficers who elected to deferre ceipt of shares and shares withheld to payfor Medicare and Social Security taxes due upon vesting. The number of shares withheld for the set ax payments during fiscal year 2020 for Messrs. Sullivan and Merchantare 1,800 and 161 respectively. The amounts shown in the table for deferred restricted stock units reflect the number of deferred shares minus the number of shares withheld for tax payment.

(2) LeggMasoncontributionsareincluded in the All OtherCompensation columnof the SummaryCompensation ableand consist of the contribution of the 5% discount to the market price of a share of common stock upon the crediting of dividends to phantom stock during the fiscal year

(3) Aggregatæarningærecalculatedby subtractinghevalueof thenamedbxecutiveofficerïs accountbalanceæt March31,2019andtheexecutivændLegg Masoncontributionsmadeduring fiscal year2020 from the value of the officerïs accountbalanceæt March31,2020. Aggregatæarningsfor deferred restrictedstockunits include amountspaid in cashfor dividends. Dividend amountærereflected in the All OtherCompensationcolumnof the Summary CompensationTable.

- (4) The aggregat@alanceunderthe PhantomStockPlan and the deferredrestrictedstock units is calculatedby multiplying the phantomstock or deferred restrictedstock unit accountsharebalanceby the closingprice of LeggMasonscdammonstock on March 31, 2020, which was the last tradingday of the fiscal year Phantomstockanddeferredrestrictedstock unit distributions are made in sharesof commonstock on a one-for-one basis. The aggregat@alance under the DeferredCompensationFundPlan is calculatedby multiplying the deferredfund shareaccountbalanceby the closing net asset value of the applicableLeggMasonFundson March 31, 2020. Distributions from the DeferredCompensationFundPlan are made in either cashor sharesof Legg MasonFunds.
- (5) A distribution under the Phantom Stock Planis due to Ms. Cashmanin a lump sum as a result of the termination of heremployment effective as of January 1, 2020. This payments subject to a six monthhold in accordance with Section 409A and will be distributed in July 2020. Distributions under the Deferred Compensation Fund Planared ue to Ms. Cashman and Mr. Hoops are result of the termination of their employment effective as of January 1, 2020. Both will receive a lump sum payment. This payment is subject to a six monthhold in accordance.

Potential Paymentson Termination or a Changeof Control or Retirement

As described the i 2½Compensa Doscussion and Analysis i j/2 this Annual Reporton Form 10-K, our named executive officers typically received ong-termequity incentive awards for fiscal years prior to fiscal year 2020 in the form of stock options, restricted stock units and performances hare units. For fiscal year 2020, our named executive officers who were employed by Legg Mason at the end of the fiscal year received incentive awards in the form of deferred cashunits, as a result of restriction sunder the Merger Agreement on the issuance of equity. In addition, our named executive officers may elect to participate in our Deferred Compensation Fund Plan and, until Decembe 61, 2014, could elect to participate our Phantom Stock Plan. Except as discussed below, our name executive officers will forfeit their unvested stock options, restricted stock units and performances hare units if their employment with usends.

Stock Options

For a description of the treatment of outstandingstock options under the Merger Agreement pleases ee the discussion below under the caption i; 1/16 ft of the Merger Agreement. if the description of the terms of outstandingstock options that follows here covers the terms of award agreement for such stock options. Unvested stock options and performance tock options held by our name dexecutive officers automatically estand become exercisable ponthetermination of the named executive officer is imployment as a result of his or herdeathor disability. Unvested options automatically estand become exercisable of the named executive officer is imployment terminates within one year of a change of control without cause or due to good reason Options automatically estif the name dexecutive officer is in the name dexecutive officer.

If a namedexecutiveofficeris imploymentendsfor any reasonather than those describe above before all of his or her stock options have vested the unvested to ckoptions are automatically or feited except that upon termination of employment without cause and due to retirement, stock options is sued on or after May 15, 2015 continue to vest base don the original vesting schedule. The Committee has the authority to accelerate the vesting of any stock options in its discretion at any time. A name dexecutive officer, or his or her beneficiaries must exercise all vested options (1) within one year of the date on which his or heremployment erminates are sult of deathor disability or (2) within threemonths of the date on which his or heremployment erminates or any other reasonexcept that upon termination of employment without cause and due to retirement, stock options is sued on or after May 15, 2015 will expire threemonths after the last vest date of the award. In the event of death during the period when are tired executive officeris to ckoptions continue to vest, the unvested options become vest date and exercisable on the date Legg Mason becomes aware of the death. In order to retire for purposes of our stock options, a name dexecutive officer must be at least 62 years old and may not represent in any capacity other than as an independend irector, any financial services company that the Committee deems a competitor of Legg Mason.

For purposes four stockoptions, a i, 1/2 charge entrolige 2/2 egg Masonwill occurupon(1) any personacquiring, directly or indirectly, beneficiabwnership of securities epresentin 50.1% or more of the combined voting power of our outstanding stock;(2) the closing of any merger, consolidation or other reorganization involving Legg Mason where by the stockholders of LeggMasonimmediatelyprior to such reorganization do not hold, directly or indirectly, more than 50% of the combined voting power of the outstanding tock of the successoentity immediately following such transaction (3) the closing of any transaction involving a sale of assets f Legg Mason that have a total grossfair market value equal to or more than 90% of the total grossfair marketvalue of all of Legg Mason assets (4) the adoption of any plan or proposal for the liquidation or dissolution of LeggMason; or (5) within any 12-monthperiod, individual swho, as of May 15 of the year in which the award is made constitute the Board of Directors of Legg Mason or who are thereaften ominated as directors by a majority of the Boardof Directorscease for any reasorto constitute at least a majority of the Board. For purposes four stockoptions, i¿1/2 cause j/2 cause j/ competes with LeggMason, breaches ny obligation or duty of loyalty to LeggMason or materially injures LeggMason; (2) a material violation of any law, regulation or Legg Mason policy; (3) a courtor regulatory order that prevents an option recipientfrom performinghis or her duties or being associated with an investmentadvisor; (4) material malfeasance, disloyalty or dishonesty(5) conviction of a felony; (6) any failure to devote sufficient professional ime to his or herduties; (7) failure to satisfactorilyperform duties, or grossmisconductor grossnegligencein the performance f duties; or (8)

failure to maintainany required licenses.

For purposes of our stockoptions, i 21/2 got as son in the recipient is the option recipient from those in effect prior to the change of control; (2) the recipient is participal place of employments moved more than 50 miles from the location immediately prior to the change of control; (3) the recipient is participated in the recipient is indexed in the recipient is prior to the change of control; (3) the recipient is the sealary is significantly reduced; or (4) the recipient is participated in the recipient is not related to a reduction in responsibilities or either individual or corporate performance.

Restricted Stock Units

For a description of the treatment of unvested estricted stock units under the Merger Agreement pleases ethe discussion below under the caption i_{i} between the Merger Agreement. i_{i} the description of the terms of restricted stock units that follows here covers the terms of award agreements or such units. Unvested restricted stock units issued to a named executive officer will, under the terms of the award agreement source and a such under the terms of the award agreement source and a such under the terms of the award agreement source and the terms of terms of the terms of the terms of the terms of terms of terms of the terms of the terms of ter If a named executive officerized molocymenterminated ue to the elimination of his or heremployment n connection with a reductionin workforceandsuchtermination of employments without it 1/2 cause in the date of suchtermination, hisorherunvested wardwill be100% vested and all vested but undistributed shares will be distributed provided however thatin the event that the name dexecutive officer fails to sign a general elease of claims provided by Legg Mason or signs and revokessuch release within the time permitted by law to revoke such release then any share of our commonstock received n connection with the restricted stock units that became/ested on such termination will be cancelled and must be returned to LeggMason. Upon vesting, restricted stock units cease obe subject to forfeiture. Subject to the exceptions discussedherein, in the eventa namedexecutiveofficer has a separation from service for any reason beforeall of his or her restricted stock units have vested the unvested estricted stock units will automatically be forfeited, however vested but undistributed shares will be distributed. If a name dexecutive officer retires from Legg Mason, his or her restricted stockunits will continue to vestin accordance with theoriginal vesting schedule as long asheor shecontinue to meet the definition of retirement. If a retired executive officer dies during the period that awards continue to vest, his or her awards becomevested and exercisable on the date Legg Mason become aware of the death. In order to retire for purpose of our restrictedstockunit grants a namedexecutiveofficer mustbe at least62 yearsold and may not represent in any capacity other than as an independent director any financial services company that the Committee deemsa competitor of Legg Mason.

Under the terms of the award agreements estricted stock units vestup on a i 2 1/2 charge on troli or lightly if, within 12 months of the change f control, the name dexecutive officer is terminated without causer terminated is or heremploymen for goodreasonSeei ¿1/2 St@ktionsi above for the definitions of i ¿1/2 cauaei 2/2/2 gored sonius ed to the seawards A i ¿1/2 change of control of LeggMasonwill occurupon(1) any personacquiring directly or indirectly, beneficial where ships f securities representing 0.1% or more of the combined voting power of our outstanding stock; (2) the closing of any merger, consolidation other reorganization involving Legg Mason whereby the stockholder sof Legg Mason immediately prior to suchreorganization do not hold, directly or indirectly, more than 50% of the combined voting power of the outstanding stockof the successometrity immediately following such transaction(3) the closing of any transaction volving a sale of assets f LeggMasonthathaveatotal grossfair marketvalueequalto or more than 90% of the total grossfair marketvalue of all of LeggMasons; assets(4) the adoption of any plan or proposation the liquidation or dissolution of LeggMason; or (5) within any 12-monthperiod, individuals who, as of May 15 of the grantyear constitute the Board of Directors of LeggMasonor who are thereafter nominated as directors by a majority of the Board of Directors cease for any reason to constitute tleasta majority of the Board. Notwithstanding nything to the contrary to the extent that Section 409A of the Code applies o anaward of restricted stockunits, the definition of i, 1/2 chaingeon troli in the award agreement hall control for purposes f vesting an award, but shall not trigger a distribution unless the event also constitutes changen control within the meaning of Section 409A(a)(2)(A)(v) of the Code.

Performance Share Units

Foradescription of the treatment of unvested erformance hare units under the Merger Agreement please ethediscussion below under the caption it is the Merger Agreement. if the description of the terms of performances hare units that follows herecoverstheterms of awardagreement for suchunits. Performance hare units are designed ovestat the end of a three year performanceperiod, if at all, subject to the satisfaction of defined relative performancecriteria. The CompensationCommitteehasthediscretionto reducea payout. A pro rataportion of performanceshareunits issued to a namedexecutiveofficer will automatically estupon(1) then amedexecutiveofficer is the then an education of the named executiveofficeria employmendueto disability; or (3) terminationfollowing a changeof control of LeggMason. See the definition of i; 1/2 charous entroling to veunder the caption i; 1/2 Restricted ckUnits. if 1/2 ror rataportion of performances have units issued to a name dexecutive officer will vestup on a termination that is not for cause in connection with a reduction in workforce. In such case the payout will be made at the end of the performance eriod, at the lesse of targetor the amount determine dase dupon the satisfaction of the relative performance riteria at the end of the performance period. See the definition of i¿ 1/2 cause by / auderthe captioni ¿ 1/2 StoOp tions. i Studie to the exceptions discussed herein, in the eventa namedexecutiveofficeris 1/2 mploymentends for any reason before the end of the performance period, the unvested performanceshareunits will automatically beforfeited. If the name dexecutive officer's employmentends before the end of the performance period by reason of retirement the entire value of an earned ward will vestand be paid at the end of theperformancperiod, if a name dexecutive officer is the performanc period by reason of retirementandthenamedexecutiveofficer continues omeetthe definition of retirement In order to retire for purposes of our performance hare unit grants a name dexecutive officer must be at least 62 years old and may not represent in any capacityotherthanasan independend director, any financial service company that the Committee deem competitor of LeggMason.If thenamedexecutiveofficer does not engagion competitive activity, the number of share is suable n respect

of the vested pro rata portion of the actual award (as determined as edge n satisfaction of the relative performance riteria) will be paid at the end of the performance period and any remaining performance share units will be forfeited.

Deferred Cash Units

Unvesteddeferred:ashunitsissued:o a named:executiveofficer employed:by LeggMasonat the endof fiscal 2020will, underthetermsof theawardagreement:automatically:estandcash epresented: such will be paid to the named:executive officer upon(1) the completion of the Merger; (2) the named:executiveofficer a detail (3) separation from service of the named:executiveofficer a detail (3) separation from service of the named:executiveofficer in the amount of the Merger; (2) the named:executiveofficer in the amount of \$1.00 multiplied by the number of deferred: ashunits held by the named:executiveofficer. Cashwill be paid to Mr. Johnsona non-U.S. named:executiveofficer, in the amount of the US Dollar Equivalent (defined as follows) multiplied by the number of deferred: ashunits held by the Reuters would currency age for GBP at 11:00 a.m. (Londontime) on the date of grant of the deferred: ashunits (or, in the eventsuch rated oesnot appearion any Reuters World Currency Page by reference such other publicly availables ervice for displaying exchange at esas may be designated by the Compensation.

If a namedexecutiveofficer is imploymenterminated ue to the elimination of his or her employment n connection with a reduction in workforce and such termination of employments without it // causter it as of the date of such termination, his or her unvested ward will be 100% vested and cash represented by such units will be paid to the namedexecutive officer, calculated as described above provided, however, that in the event that the namedexecutive officer fails to sign a general release of claims provided by Legg Mason, or signs and revokes such release within the time permitted by law to revoke such release the nany cash received n connection with the deferred cash units that be cameres to be subject to forfeiture. Subject to the exception discussed herein, in the event a name dexecutive officer has a separation from service for any reason before all of his or her deferred cash units have vested, the unvested deferred cash units will automatically be forfeited. If a named executive officer retires from Legg Mason, his or her deferred cash units will continue to vest in accordance with the original vesting schedul as long asheor shecontinues o meet the definition of retirement of the date Legg Mason becomes ware of the death. In order to retire for purposes of our deferred cash unit grants, a name dexecutive officer must be at least 2 years old and may not represent in any capacity other than as an independent director, any financial services company that the Committee deems competitor of Legg Mason.

Under the terms of the award agreements deferred cash units vest upon a it 1/2 charge control i at her than the Merger only if, within 12 months of the change of control, the name dexecutive officer is terminated without cause or terminated is or her employment for good reason Seei 21/2 Stoop tions and so represent the definitions of i 21/2 cause id 1/2/2 good reason ig sed for theseawardsA i; 1/2 charage controlice 20 (1) any personacquiring, directly or indirectly, beneficial ownership of securities representing 0.1% or more of the combined voting powerof our outstandingstock; (2) the closing of any merger, consolidation or other reorganization involving Legg Masonwherebythestockholders f LeggMasonimmediatelyprior to such reorganization do not hold, directly or indirectly, more than 50% of the combined voting power of the outstanding to ckof the successorentity immediately following such transaction(3) the closing of any transaction involving a sale of assets of Legg Mason that have a total grossfair market valueequalto or morethan 90% of the total grossfair marketvalue of all of Legg Mason sates (4) the adoption of any plan or proposator the liquidation or dissolution of LeggMason; or (5) within any 12-month period, individual swho, as of May 15 of the grantyear, constitute the Board of Directors of Legg Mason or who are the reaften ominated as directors by a majority of the Board of Directorscease for any reasorto constitute at least a majority of the Board. Notwithstanding anything to the contrary to the extent that Section 409 A of the Code applies to an award of deferre chash units, the definition of i¿1/2 charige controlizit/2 the award agreement hall control for purposes of vesting an award, but shall not trigger a distribution unless the eventals oconstitutes change control within the meaning of Section 409A(a)(2)(A)(v) of the Code.

SeveranceArrangements

Duringfiscal year 2019 our Board of Directors authorized restructuring of the executive earn in connection with a strategic restructuring or the purpose of reducing costs, where by the roles of certain of our executive officers, including two named executive officers, were eliminated as of January 1, 2020. During the period in which the strategic restructuring was

implementedandin light of the disruption to the executive amresulting from the restructuring it was important for Legg Mason to retain the services of its other executive officers to maintain the stability of the company and promote the successful completion of the strategiore structuring Becaus of this need Legg Mason established nexecutives everance arrangement for any executive officer whose employments terminated by Legg Mason prior to Septembe 80, 2020 for any reason other than i 21/2 Cau (as identication the severance arrangement) including the executive officers whose roles were eliminated as of January 1, 2020. This executives including named executive officers Ms. Cashmar and Mr. Hoops, and letter agreements with our other executives, including named executive officers Messrs. Sullivan, Johnson, Merchant and Nachtwey and Ms. Lattin.

Under the terms of each transition agreement with the departing executives subject to the satisfaction of the terms and conditions in the agreement hedeparting executives were eligible to receive severance package thei 2½ Severa Reckage 2½) consisting of: (1) (i) a cash payment of an amount equal to three weeks of the executives of a sesalary for every year of service (with a minimum of 12 weeks and a maximum of 52 weeks of bases alary), and (ii) a pro-rated cash incentive payment for the months worked in the year of the executives of months for departing employees) which was based on actual incentive payment seceived for the most recently completed fiscal year; (2) the continued vesting and expiration (as applicable) of all of the executives of the executives of performances hare units pursuant to the schedule and applicable of such stock options and the continued vesting of performances hare units pursuant to the schedule and applicable performance goals as if the executives of purposes of all restricted stock units, which results in full vesting of the restricted stock units under the transition agreement service and (5) a COBR As ubsidy in accordance with applicable aw. In addition, under the transition agreement 2000 of the executives of the executives of the executives of the executives of the executive o

Under the terms of each of the letter agreement with our other executives if the executive officer is terminated y Legg Mason without $i_2 \frac{1}{2}$ Cau $\frac{1}{2}$ Cau $\frac{$

Effect of the Merger Agreement

Under the terms of the Merger Agreement stock options, restricted stock units and performance share units will be treated as follows upon the completion of the merger transaction:

Eachoutstandingstockoption, whethervestedbr unvested will automatically(i) if the exerciseprice of suchstockoption is equal to or greater than the \$50.00 per sharemenger consideration (the $i \ge 1/2$ Mger Consideration $i \ge 1/2$ Mger Consideration

Eachunvested estricted stock unit will automatically terminate and be cancelled mmediately prior to the effective time of the merger and be converted nto the right to receive a lump sum cashpayment in an amount equal to (i) (A) the Merger Consideration, multiplied by (B) the number of shares of Legg Mason common stock subject to such restricted stock unit immediately prior to the effective time of the merger, plus (ii) the amount of any accrue dut unpaid dividend equivalent rights under such restricted stock unit, net of any taxes with held.

Eachunvestedperformanceshareunit will automaticallyterminateandbecancelledmmediatelyprior to the effective time of the merger and be converted into the right to receive a lump sum cashpayment in an amount equal to (i) the Merger Consideration multiplied by (ii) the target number of shares f Legg Mason common stock subject to such performance shareunit immediately prior to the effective time, net of any taxes with held.

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Estimated Post-Termination PaymentsTable

Thefollowing tablesets orth information regarding otential accelerate **p** ayments o each of our name dexecutive of ficers in the event of a termination of employment upon death, disability or retirementor following a change of control of Legg Mason. For the purposes of this table, amounts are calculated or Messrs Sullivan, Nachtwey Johnsor and Merchant and Ms. Lattin as if the employment termination, death, disability or retirementor change of control occurred on March 31, 2020. Two of our named executive officers were eligible to retire under the terms of any award as of March 31, 2020. Amounts shown for Ms. Cashma and Mr. Hoops reflect amounts actually received n fiscal year 2020 pursuant o severance arrangement described bove, when their employment ended effective as of January 1, 2020.

Name	Accelerated Stock Options (\$) ⁽¹⁾	Accelerated Restricted Stock Units (\$) ⁽²⁾	Accelerated Performance Share Units (\$)
JosephA. Sullivan ⁽³⁾			
Upon Retiremen ⁽⁴⁾	2,049,132 ⁽⁵⁾	8,033,969 ⁽⁶⁾	12,693,283 ⁽⁷⁾
UponTermination	ز⁄₂	8,033,969	<u>½</u> ;ئ
Upon Death or Disability	2,049,132	8,033,969	6,242,802 ⁽⁸⁾
Upon a Change in Control	2,049,132	8,033,969	6,242,802
Peter H. Nachtwey			
Upon Retirement	587,594 ⁽⁵⁾	2,294,533 ⁽⁶⁾	3,608,317 ⁽⁷⁾
UponTermination	�	2,294,533	�
Upon Death or Disability	587,594	2,294,533	1,761,873 ⁽⁸⁾
Upon a Change in Control	587,594	2,294,533	1,761,873
TerenceA. Johnson			<u> </u>
UponTermination	½;≀2	1,436,923 ⁽⁶⁾	<u>∕</u> 1ئï
Upon Death or Disability	720,735	1,436,923	1,141,885 ⁽⁸⁾
Upon a Change in Control	720,735	1,436,923	1,141,885
Patricia Lattin ⁽³⁾			
UponTermination	<u>ئ</u> /2	821,608 ⁽⁶⁾	<u>′/</u> 3
Upon Death or Disability	57,145	821,608	286,424 (8)
Upon a Change in Control	57,145	821,608	286,424
Thomas C. Merchant ⁽³⁾			
UponTermination	<u>ئ</u> /2	1,267,706 ⁽⁶⁾	<u>′/</u> 3
Upon Death or Disability	293,442	1,267,706	966,432 ⁽⁸⁾
Upon a Change in Control	293,442	1,267,706	966,432
Frances L. Cashman ³⁾⁽¹⁰⁾			
UponTermination	�	1,217,312	2⁄1غï
Thomas K. Hoops ⁽³⁾⁽¹⁰⁾			
UponTermination	�	1,346,81	¹ زئ

(1) The amountsincludeunvestedin-the-moneystockoptions that would immediately vestup on the listed event Amounts are calculated by adding for each grant of unvested in-the-moneyoptions, the product of the number of shares underlying the options multiplied by the difference betweer \$48.85 the closing price of our common stock on March 31, 2020, which was the last trading day of the fiscal year and the exercise price. In addition, as of March 31, 2020, Mr. Sullivan and Ms. Cashmarheld \$13,398,94 and \$12,070 respectively of in-the-money unexercised vested stock options (using the same method of calculation) which can be exercised at any time, including following termination (other than a termination for cause) death or disability, a change of control or, for Mr. Sullivan retirement. The following tables unmarize show the expiration dates of stock options may change upon a termination of employment, death, disability, retirement or change of control.

Expiration Dates for Stock Options	Expiration Upon Death or	Expiration Upon	Expiration Upon Termination Not for
Outstanding at March 31, 2020	Disability	Retirement	Cause, Death, Disability orRetirement
Ranging from May 16, 2021 - May 15, 20	25Vested options expire on first anniversary of termination as a result of death or disability�	months after the last vesting date that occurs	Award agreements provide that vested options expire three months after termination of employment for any reason other than cause, death, disabilityr retirement; extension until first anniversary of death if death occurs during post-employment exercise period. Severance arrangements approved for executive for son May 20, 2019 modified the awards to provide for the continued vesting and expiration (as applicable) after termination of employment for any reason other than death, disability retirement or i¿causei¿% of all of an executive executivei¿employment continued through the expiration date of such stock options.

- (2) The amount a recalculate dy multiplying the applicable number of unvested estricted stock units held by the name dexecutive officer on March 31, 2020 by \$48.85, the closing price of our common stock on March 31, 2020.
- (3) Messrs.Sullivan, Merchant, Hoops and Mmes. Lattin and Cashmanwould also received istributions of their phantomstock accounts and/or deferred compensation fund accounts which are not subject to vesting. See the discussion under it 2/2 Non-Qualified ferred Compensation address of the compensation address of
- (4) The definition of �retiremeistineésaméor all typesof awards and is derived from the definition in the LeggMason, Inc. Profit Sharingand 401(k) Plan and Trust, or a successoprovision. An executive becomes ligible for retirementuponhis or her 62nd birthday. See the discussion preceding this table under �Poten Ralymentson Termination or a Changeof Control or Retirement. �
- (5) Represents tock options for Messrs. Sullivan and Nachtweyissuedin 2016 and 2017 that would continue to vest under their vesting schedule upon retirement provided that the termination of employmentat retirements without cause and that the executive signs and delivers a non-competagreement with Legg Mason and does not engage in competitive activity as provided in that agreement During retirement jf the executive mgages in competitive activity, the portion of stock options that are unvested at the time of such activity will be immediately forfeited. In the event of deathduring the period in which unvested stock options continue to vestafter retirement, the unvested stock options will be come 100% vested.
- (6) Represent stricted stock units that immediately vestupon a termination that is not for causeor, for Messrs Sullivan and Nachtwey would continue to vestunder their vestingschedules ponretirement provided that the termination of employmental retirements without cause and that the executive signs and delivers a non-competence ment with Legg Mason and does not engage in competitive activity as provided in that agreement During retirement if the executive signs competitive activity, the portion of restricted stock units that are unvested at the time of such activity will be immediately for feited. In the event of death during the period in which unvested estricted stock units continue to vestafter retirement, the unvested estricted stock units will be come 100% vested soft the date Legg Mason becomes ware of the death.
- (7) Retirementamountrepresent the total number of performance hareunits at target for the May 2017 awards, which werevalued at 141% of target, and the total number of performance hareunits at target, for the May 2018 awards which were valued at 125%, and the total number of performance hare units at target for the May 2018 awards which were valued at 125%, and the total number of performance hare units at target for the May 2018 awards which were valued at 125%, and the total number of performance hare units at target for the May 2019 awards, which were valued at 125% of target. Upon retirement the entire value of the May 2019, May 2018, and May 2017 awards at the end of the respective performance periods would vestand be earned and paid out subject to the determination and certification of payout by the Compensation Committee. The May 2019 and 2018 awards were valued based on the TSR and organic growth rater rankings at March 31, 2020. The payout for the May 2017 awards was tracking at 141% of target based on the TSR rankings at March 31, 2020. These amounts were vested and paid out following certification by the Compensation Committee at 105% of target.
- (8) Deathor disability amounts and change of control amounts represent he product of the pro-rata portion of performances hare units at target that would immediately vestmultiplied by \$48.85, the closing price of our common stock on March 31, 2020.
- (9) The definition of �changi@ontrolï@%LeggMasondiffers for the acceleration of stockoptions, restricted stock units and performance hareunits. See the discussion preceding his table under�Poten Raymentson Termination or a Changeof Control or Retirement. ïE & stockoptions, restricted stock units and performance hareunits, assume termination of employments in the changeof control date without causer for good reason for award for which such a termination is a condition to accelerate desting following a changeof control.
- (10) Severancærrangementapprovedfor executiveofficers on May 20, 2019 modified unvestedstockoption awardsandperformanceshareunit awardsto provide for the continued/estingandexpiration(asapplicable) of suchawardsafter termination of employmentand for acceleration of vesting of restricted stock unit awardsupontermination of employmentAs of January1, 2020, all unvested estricted stock unit awardsheld by Ms. CashmarandMr. Hoops were accelerated in connection with Ms. CashmarandMr. Hoops accelerated in distributed to Ms. CashmarandMr. Hoops January1, 2020.

CEO Pay Ratio

Our CEO pay ratio is calculated n accordance with Item 402(u) of RegulationS-K, pursuanto a mandate of the Dodd-Frank Wall StreetReform and ConsumerProtectionAct, and provides a reasonable stimate of the ratio of our CEO is 1/2 annual total compensation to the median of the annual total compensation of all employees of Legg Mason, other than the CEO.

Mr. Sullivan hadannual total compensation for fiscal year 2020 of \$8,719,987 as reflected in the Summary Compensation Tableon page 167. Our medianemployees at nual total compensation for fiscal year 2020 was \$180,500. The resulting ratio of our CEO is a nual total compensation to the annual total compensation of our medianemployee for fiscal year 2020 is 48 to 1.

During fiscal year 2020, Legg Mason made a reduction in staff in connection with a strategiore structuring which resulted in a significant change our employe population. Therefore a sof March 31, 2020, we identified a new media remployee.

We identified the medianemployed by reviewing the fiscal 2020 salary (or wage splus overtime, as applicable) and annual cashbonus paid to all employees f Legg Mason adits subsidiaries worldwide, excluding our CEO, who were employed on March 31, 2020, which is the last day of Legg Mason is the completed is calyear. We include demployees working on a full-time, part-time, or interimbasis, as well as contract use mployees addetermined by the legal framework in a particular jurisdiction for contract use tatus). We annualized he base alary but not the cashin centive paid for the fiscal year, for any full time employees who were hired in fiscal year 2020 but did not work for us for the entire fiscal year. However, due to the timing of the payment of cashin centives by one of our subsidiaries we made areas onable stimate of the cashin centives paid for the fiscal year to employees of that subsidiary Cost of living adjustments are not significant and were not applied. In order to facilitate an assessment fall employee compensation U.S. dollars, we applied to the compensation paid to our non-U.S. employees local currency-to-U.S dollar exchange at eequal to the year to date for the twelve-month period ended March 31, 2020, divided by twelve. Once we identified the medianemployee we calculated annuatotal compensation for that employee using the same methodology we use for our NEOs as shown in the Summary Compensation fable.

Our CEO pay ratio is disclosed to comply with rules adopted under the Dodd-FrankWall StreetReform and Consumer ProtectionAct and is not intended as a measure of comparison with any other company

Compensation of Directors

Director CompensationTable

The following table provides information about the compensation earned by our non-employee directors during fiscal year 2020.

	Fees Earned or	Stock	All Other Compensation	
Name	Paid in Cash (\$) ¹⁾	Awards(\$)	(\$) ⁽²⁾	Total (\$)
Robert EAngelica	220,500 ⁽³⁾	74,984 (4)	√;ئ	295,484
CarolAnthony ï;1/2Johnï;1/2 Davidson	225,875 ⁽⁵⁾	125,012 (6)	33,323	384,210
Edward PGarden ⁽⁷⁾	250,833 ⁽³⁾⁽⁸⁾	149,980 (4)(9)	¹ /2	400,813
Michelle J. Goldbeg	173,500	125,012 (6)	13,301	311,813
Stephen C. Hoole(¹⁰⁾	129,500	125,007 (11)	ï¿1⁄2	254,507
Barry W. Huff ⁽¹²⁾	37,499	ï¿1⁄2	<u>ئ</u> 'ئ	37,499
JohnV. Murphy	195,750 ⁽⁵⁾	125,012 (6)	2⁄′غï	320,762
Nelson Pelt ⁽⁷⁾	240,833 ⁽³⁾⁽⁸⁾	149,980 (4)(9)	ï¿1⁄2	390,813
Alison A. Quirk	180,500	125,012 (6)	ï¿1⁄2	305,512
W. Allen Reed ⁽¹²⁾	36,999	ï¿1⁄2	ï¿1⁄2	36,999
Margaret Milner Richardson ⁽¹²⁾	31,692	ï¿1⁄2	23,701	55,393
Kurt L. Schmoke ⁽¹²⁾	28,008	¹ /2	30,085	58,093

(1) In addition, non-employee directors receive reimbursement of actual expenses incurred for attendance at meetings or participating in company business.

(2) Represents dividend equivalents paid on restricted stock units and reinvested in additional restricted stock units.

(3) Includes \$50,000 paid as a portion of the annual award under the Legg Mason, Inc. Non-Employee Director Equity Plan.
 (4) Includes value of 1,965 shares of common stock granted on July 30, 2019 as a portion of the annual award under the Legg Mason, Inc. Non-Employee Director Equity Plan.

(5) Includes \$18,750 paid to MDavidson and \$6,250 paid to Murphy for the Lead Independent Director Retainer

(6) Represents value of 3,276 restricted stock units or common stock granted on July 30, 2019 for the annual award under the Legg Mason, Inc. Non-Employee Director Equity Plan.

(7) Messrs. Garden and Peltz were appointed to the Board of Directsorie May 20, 2019.

(8) Includes \$50,000 paid as an appointment award under the Legg Mason, Inc. Non-Employee Director Equity Plan.

(9) Includes value of 2,028 shares of common stock granted on June 20, 2019 as an appointment award under the Legg Mason, Inc. Non-Employee Director after Messrs. Garden and Peltz joined the Board.

(10) Mr. Hooley was appointed to the Board of Directofective July 30, 2019.

(11) Represents value of 3,396 shares of common stock granted out 30, 2019 as an appointment award under the Legg Mason, Inc. Non-Employee Director Equity Plan after MiHooley joined the Board.

(12) Messrs. Huff, Reed, Schmoke and Ms. Richardson's terms as directors expired on July 30, 2019. MessReedußchmoke and Ms. Richardson's reported compensation reflects amount received during fiscal year 2020 through the end of their Board service.

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As of March 31, 2020, two of our non-employee directors held the following restricted stock units:

Name	Number of Restricted Stock Units		
CarolAnthony ï¿1/2Johnï¿1/2 Davidson	23,789		
Michelle J. Goldbeg	10,451		

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

We havelisted below, as of March 31, 2020 (except as otherwise indicated), the beneficial ownership of Sharesby (i) i 2½ each of our directors (ii) i 2½ each our interctors is it is intercted. The fiscal yearended March i 2½ 20(20, (iii)) all of our directors and executive officers as a group and (iv) i 2½ each sonknown by us to be the beneficial owner of more than five percent (5%) of the number of outstanding Shares. The table is based on information we received from the directors, executive officers and filings made with the SEC. We are not aware of any other beneficial owner of more than five percent (5%) of the number of outstanding Shares of March 31, 2020. Unless otherwise indicated, each of our directors and in the number of outstanding Shares and the secutive officers is it is an ebusiness addresses. Legg Mason and (b) i 2½ solve stment and voting power over all of the share shathe or sheben eficially owns. All Sharen umbershave been rounded to the nearestwhole number of the number of the number of the number of the share start of the number of the number of the number of the number of shares. The securities are not securities and the share start of the number of outstanding shares. The securities are not aware of any other beneficial owner of the number of outstanding shares. The securities are not aware of any other beneficial owner of the number of outstanding shares. The securities are not aware of any other beneficial owner of the number of outstanding shares. The securities are not aware of any other beneficial owner of our directors and in the securities of the number of outstanding shares. The securities are not aware of any other beneficial owner of our directors and in the securities of the number of outstanding. The securities are not aware of the number of outstanding shares. The securities are not aware of any other beneficial owner of the number of outstanding shares. The securities are not aware of the number of the nu

Name of Owner	Common Stock Beneficjally Owned ¹¹⁽²⁾	Percent of Outstanding Common Stock ⁽²⁾
BlackRock, Inc.	8,290,080 (3)	9.44%
Vanguard	7,821,495 ⁽⁴⁾	8.91%
Nelson Peltz	3,881,704 **	4.42%
Ed Garden	3,881,704 **	4.42%
JosephA. Sullivan	1,988,811 ⁽⁵⁾⁽⁶⁾	2.27%
Peter H. Nachtwey	266,676 ⁽⁵⁾	*
TerenceA. Johnson	236,470 ⁽⁵⁾	*
Thomas C. Merchant	148,733 ⁽⁵⁾	*
Patricia Lattin	62,238 ⁽⁵⁾	*
Thomas K. Hoops***	50,357 ⁽⁵⁾	*
JohnV. Murphy	31,450	*
RobertAngelica	27,772	*
CarolAnthony ("John") Davidson	26,789 ⁽⁷⁾	*
Frances L. Cashman***	21,729 ⁽⁵⁾	
Michelle J. Goldbeg	10,451 ⁽⁷⁾	*
Alison A. Quirk	7,237	*
Stephen Hooley	3,396	*
All curr ent executive officers and diectors as a goup (13 persons)	6,691,727	7.62%

Less than one percent (1%).

** TheseSharesare ownedby certainfunds and investment/vehicles (which we refer to as the ij/kan Funds; /ki)anagedby Trian, an institutional investment/manage/andTrian. Noneof suchSharesarehelddirectly by Mr.i; /2/Pehtzlr.i; /2/Gard@itheSharesownedby theTrianFunds; 3,881,704 sharesareheldin commingledmargin accounts with a prime broker Mr.i; /2/Pehtzl/Mr.i; /2/Pahtzl/Mr.i; /2/Gard@emembersof Trian FundManagemenGP, LLC, which is the generalpartnerof Trian, and therefore are in a position to determine the investment and voting decisions madeby Trian on its own behalf on behalf of the Trian Funds Accordingly, each of Mr.i; /2/Pehtzl/Nr.i; /2/Gard@emedia indirectly beneficiallyown (asthatterm is defined in Rulei; //13d-3i; //2/eahtzl/Mr.i) the Sharesowned by the Trian Funds and Trian. Each of Mr.i; /2/Pehtzl/Mr.i; /2/Pehtzl/Mr.ii; /2/Pehtzl/Mr.ii

*** Ms.�CashamadMr.�Hotapasninated their employment with the Company effective Januaryï¿2020.

�

- (1) Except as otherwise indicated and except for Shares held by members of an indifadula jigt/an trust, all Shares are held with sole dispositive and voting power
- (2) Includes, for the individuals listed belothe following number of Shares subject to Company Options exercisable within sixty (60)i¿½days from March 31, 2020:

Name	Number of Shares
JosephA. Sullivan	1,139,584
TerenceA. Johnson	67,144
Peter H. Nachtwey	47,106
Thomas K. Hoops	38,557
Frances Cashman	21,729
Thomas C. Merchant	21,505
Patricia Lattin	5,628
All curr ent executive officers and diectors as a goup (13 persons)	1,280,697

Also includes for the individuals listed below, the following number of deferred but vested Company Restricted Stock Units. Included in these numbers are deferred awards that will be distributed in April 2020 for �Mess sublivan, Nachtwey and Merchant�Mess amount of 9,445,2,527 and 1,093 shares respectively Restricted Stock Units are not held with voting rights and cannot be transferred.

Name	Number of Shares
JosephA. Sullivan	195,541
Peter H. Nachtwey	14,591
Thomas C. Merchant	20,078
All curr ent executive officers and diectors as a goup (13 persons)	230,010

- (3) RepresentSharesheldby BlackRock,Inc., 40 East52ndStreet,New York, NY 10022,in its capacityasinvestmentadvisorAll of the Sharesare heldwith soledispositivepower and noneare held with soledoting power The number of Sharesin the preceding information is based upon a Schedule 13G report filed by BlackRock,Inc. reporting ownership as of Decemberi 21201,9. The percentage are based on Legg Mason 300 tstanding shares of March 31, 2020.
- (4) Represent Sharesheld by The Vanguard Group, 100 Vanguard Boulevard Malvern, PA 19355, in its capacity as investmentadvisor 7,777,182 of the Sharesareheld with soledispositive power and 44,313 of the Sharesareheld with shared is positive power 42,803 of the Sharesareheld with solevoting power and 12,258 areheld with shared voting power The number of Sharesin the preceding information is based upon a Schedulel 3G reportfiled by The Vanguard Group reporting ownerships of Decemberï 2,12019. The percentages rebased on Legg Mason 32 distanding hares as of March 31,2020.
- (5) Includes, for the individuals listed belotime following number of unvested Company Restricted Stock Units. Company Restricted Stock Units are not held with voting rights and cannot be transferred.

Name	Number of Restricted Stock Units
JosephA. Sullivan	103,083
Peter H. Nachtwey	29,485
Thomas C. Merchant	16,557
TerenceA. Johnson	16,508
Patricia Lattin	9,417

- (6) Doesnot include6,620.03 units of the Legg Mason Common Stock Fundheld in the Legg Mason Profit Sharing and 401(k) Planand Trust which translate into 4.406.89 Shares.
- (7) Includes, for the individuals listed belother following number of Company Restricted Stock Units. Company Restricted Stock Units are payable on a one-forme basis in Shares within sixty (60) days of the date on which the individual stops serving as a director of Legg Mason.

Name	Number of Restricted Stock Units
CarolAnthony "John" Davidson	23,789
Michelle J. Goldbeg	10,451

Equity CompensationPlan Information

	(a)	(b)		(b)		(c)
Plan category	Number of securities to be issued upon exerise of outstanding options, warrants and rights	exe outsta	Weighted-average exercise price of outstanding options, warrants and rightsNumber of sec remaining avail futur e issuanc equity comper plans (exclu securities refle column (a			
Equity compensation plans approved by stockholders	6,977,045 ⁽¹⁾	\$	41.41 ⁽²⁾	8,349,362 ⁽³⁾⁽⁴⁾		
Equity compensation plans not approved by stockholders	�		�	ï <i>ċ1</i> ⁄2		
Total	6,977,045	\$	41.41	8,349,362 (3)(4)		

The following table provides information about our equity compensation plans/hercoff 31, 2020

(1) Includes427,094sharesof Legg MasonCommonStock (�Comm@mockï¿Matareheld in a trust pendingdistribution of phantomstockunits. Thephantomstockunits, which are converted into sharesof CommonStockona one-for-one basisupondistribution, we regranted oplanparticipants upon their deferratof compensation or dividend spaid on phantomstockunits. When amounts are deferred participants eceive a number of phantom stockunits equal to the deferred mound vidend spaid on phantomstockunits. When amounts are deferred participants eceive a number of phantom stockunits equal to the deferred mound vidend spaid on phantomstockunits. When a mounts are deferred participants eceive a number of phantom stockunits equal to the deferred mound vidend spaid on phantomstockunits. When a mounts are deferred participants eceive a number of phantom stockunits equal to the deferred mound vidend spaid on phantomstockunits. When a mounts are deferred participants are converted as the stockunits of the deferred mound vidend spaid on phantomstockunits. When a mounts are deferred participant seceive a number of phantom stockunits granted to non-employed irectors as equity compensation that are converted not sharesof Common Stock on a one-for-one basis upon distribution.

(2) Weighted-average xerciseprice does not include phantoms to ckunits or restricted stock units that will be converted nto Common Stock on a one-for-one basis upon distribution at no additional cost, and we regranted as described in foot note (1).

(3) In addition, 201, 125 shares f Common Stockmay be issued under the Legg Mason & Co, LLC Deferred Compensation/Phanto Stock Planupon the distribution of phantom stock units that may be acquired in the future as described in footnote (1).

(4) 6,331,1550 f thesesharesmay be issued under our omnibuse quity plan asstock options, restricted or unrestricted stock grants or any other form of equity compensation 02,014 of thesesharesmay be issued under the Legg Mason, Inc. Equity Planfor Non-Employed Directors as grants of stock or restricted stock units. 1,916,1930 f thesesharesmay be purchased inder our employees to ckpurchase plan, which acquires the shares that are purchased the reunder in the openmarket.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECT OR INDEPENDENCE.

Under our written policies and procedures egarding related party transactions the Nominating & Corporate Governanc Committee must approve all related party transactions between Legg Masonor one of its subsidiaries and a director, executive officer or immediate family member of a director or executive officer that would be required to be disclosed nour proxy statements. The policy also authorizes the Chairman of the Nominating & Corporate Committee approve or reject, proposed elated party transactions ubject to ratification by the full committee at its next regularly schedule dneeting. The Nominating & Corporate Governance Committee approve related party transactions.

In the ordinary course of their assetmanagement businesses; ertain of our subsidiaries may from time to time investclient asset in companies which Trian Fund Management, P. (i; Maīni; Mafiliates or its funds may be significant stockholders Trian beneficially held 4.5% of our outstanding common stock as of March 31, 2020.

Certain funds managedby EnTrust Global (�Emst Global Fundsï¿b@)ve made investments and/or capital contributions in certain funds and investment/ehicles (theï; b/d in Fundsï; b/d) nagedby Trian and certain management in discontributions. Certain funds and investment/ehicles (theï; b/d in Fundsï; b/d) nagedby Trian and certain management in centivefees have been paid or allocated by the Trian Funds to Trian and its affiliates in connection with those investments and/or capital contributions. Mr. Peltz, as CEO and a Founding Partner of Trian, and Mr. Garden, as Chief Investment Officer and a Founding Partner of Trian, and certain of each of their respective mmediate family members hold an economic interest in Trian and certain other affiliates which are entitled to fees paid or allocated n connection with investments and/ or capital contributions made by EnTrust Global Funds. During the fiscal year ended March 31, 2020, there were an aggregate \$5,006,150 n management and incentive fees paid or allocated by the Trian funds to Trian and its affiliates in connection with EnTrust Global clients in the fiscal year ended by the Trian funds to Trian and its affiliates in connection with EnTrust Global clients in the fiscal year ended by the Trian funds to Trian and its affiliates in connection with EnTrust Global clients is the fiscal year ended by the Trian funds to Trian and its affiliates in connection with EnTrust Global clients is the fiscal year ended by the Trian funds to Trian and its affiliates in connection with EnTrust Global clients is the fiscal year ended by the Trian funds to Trian and the filiates in connection with EnTrust Global clients is the fiscal year ended by the Trian funds to Trian and its affiliates in connection with EnTrust Global clients is the fiscal year ended by the Trian funds to Trian and its affiliates in connection with EnTrust Global clients is the fiscal year ended by the Trian funds to Trian and its affiliates in connection with EnTrust Global clients is the fiscal year ended by t

From time to time, our directors, executive officers and employees members of their immediate families and companies affiliates of companies r investment/vehicles manage by companies that employ or are associated with our directors may have investments in various investment/vehicles or accounts ponsore or manage by our subsidiaries or utilize our products r services in the ordinary course of business n substantially the same terms as those prevailing at the time for comparable products r services provided to unafiliated third parties.

ITEM 14. PRINCIPAL ACCOUNTANT FEESAND SERVICES.

The following table presents ees for professionabervices rendered by Pricewaterhouse Coopers P for the audit of our consolidated in ancial statements for the fiscal years ended March 31, 2020 and March 31, 2019 and fees billed for other services rendered by Pricewaterhouse Coopers P during those periods.

	2020	2019
Audit Fee ⁽³⁾	\$ 7,494,000	\$ 7,096,000
Audit-Related Fees	1,060,000	1,257,000
Tax Fee ⁽³⁾	1,120,000	1,330,000
All Other Fee ⁽⁴⁾	813,000	877,000
Total Fees	\$ 10,487,000	\$ 10,560,000

(1) Audit feesconsisted feesfor the annual audit, including an audit of internal controls over financial reporting and quarterly reviews of our financial statements and services provided for statutory audits of certain subsidiaries.

(2) Audit-relatedfeesconsisted feesfor assurancend related services that are reasonably elated to the performance of the audit or review of our financial statements attest services related to compliance with investment performance standards fees for reviews of controls related to certain processe at assetmanagements ubsidiaries and services provided in connection with other statutory or regulatory filings or engagements cluding consents elated to SEC filings.

(3) Tax feesconsisted primarily of tax advice and compliance for domestic and international matters.

(4) All otherfeesincludedcustodyauditsatcertainsubsidiarieandauditandtax services f consolidated nvestment/ehiclesandduediligencereviews.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Documents filed as a part of the report:

1. The following consolidated financial statements are included in Itemï¿1/28 of this Report:

	Page Number in this Report
Report of Independent Registered Public ounting Firm	84
Consolidated Balance Sheets	87
Consolidated Statements of Income (Loss)	88
Consolidated Statements of Comprehensive Income (Loss)	89
Consolidated Statements of Changes in Stockholders' Equity	90
Consolidated Statements of Cash Flows	91
Notes to Consolidated Financial Statements	93

All schedules to the consolidated financial statements for which provision is made in the accounting regulations of the SEC are not applicable or are not required and therefore have been omitted.

- 3. Exhibits
- 2.1 Agreement and Plan of Mger, dated as of February 17, 2020, by and among Franklin Resources, Inc., Legg Mason, Inc. andAlpha Sub, Inc. (incorporated by reference to Legg MassOurce MassOurce) and February 17, 2020)
- 3.1 <u>Articles of Incorporation of Legg Mason, as amended (incorporated by reference to Legg Mason's Current</u> <u>Report on Form�8-K for the event on July 26, 201</u>
- 3.2 Legg Mason, IncAmended and Restated Bylaws (incorporated by reference to Legg Mason's Current Report on Form�8-K for the event on June 12, 2018)
- 3.3 FirstAmendment to the mended and Restated Bylaws. (incorporated by reference to Legg Maxment/Report on Form 8-K for the events on February 17, 2020)
- 4.3 Legg Mason hereby agrees, pursuant to Item�601(b)(4)(iii)(A) of Regulation�S-K, to furnish to the SEC upc request a copy of each instrument with respect to the rights of holders of long-term debt of Legg Mason and its subsidiaries.
- 4.4 Form of Indenture for Senior Securities between Legg Mason, Inc., as IssudereaBdnk of NewYork Mellon, asTrustee (incorporated by reference to Exhibit 4(a) to Legg MassRegjstration Statement (Registration No. 333-193321) on Form S-3 dated January 13, 2014)
- 4.5 First Supplemental Indenture, dated as of January 22, 2014, between Legg Mason, Time, Baandk of New York Mellon, as trustee (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on January 22, 2014)
- 4.6 Form of 5.625% Senior Note due 2044 (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on January 22, 2014)
- 4.7 Second Supplemental Indenture, dated as of June 26, 2014, between Legg Mason, The. Bands of New York Mellon, as trustee (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on June 26, 2014)
- 4.8 Third Supplemental Indenture, dated as of June 26, 2014, between Legg Mason, The, Badk of New York Mellon, as trustee (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on June 26, 2014)
- 4.10 Form of 3.950% Senior Note due 2024 (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on June 26, 2014)
- 4.11 Form of 5.625% Senior Note due 2044 (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on June 26, 2014)

- 4.12 Base Indenture for Senior Notes between Legg Mason, Inc., as and the Bank of NewYork Mellon, as Trustee (incorporated by reference to Exhibit 4.1 to the Comp Registration Statement (Registration No. 333-209616) on Form S-3ASR, dated February 19, 2016)
- 4.13 Fourth Supplemental Indenture, dated as of March 22, 2016, between Legg Mason, Inc.,, as to be the Bank NewYork Mellon, as Trustee (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on March 22, 2016)
- 4.14 Form of 4.750% Senior Note due 2026 (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on March 22, 2016)
- 4.15 Form of Indenture for Junior Subordinated Notes between Legg Mason, Inc., as Iss Thee Bradhk of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.2 to the Comp Bregistration Statement (Registration No. 333-209616) on Form S-3ASR, dated February 19, 2016)
- 4.16 First Supplemental Indenture, dated as of March 14, 2016, between Legg Mason, Inc.,,ashts SherBank New York Mellon, as Trustee (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on March 14, 2016)
- 4.17 Form of 6.375% Junior Subordinated Note due 2056 (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on March 14, 2016)
- 4.18 Second Supplemental Indenture, dated & ugfust 8, 2016, between Legg Mason, Inc., as Is superThe Bank NewYork Mellon, asTrustee (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on August 8, 2016)
- 4.19 Form of 5.45% Junior Subordinated Note due 2056 (incorporated by reference to Legg Mason's Current Report on Form 8-K filed orAugust 8, 2016)
- 10.1 Legg Mason,�Inc. Non-Employee Director Equity Plan, as amended (incorporated by rAfeprendex to the definitive proxy statement for Legg Mason's 2016 ual Meeting of Stockholders)*
- 10.2 Form of Common Stock GraAtward Letter under the Legg Mason,�Inc. Non-Employee Director Equity Plan (incorporated by reference to Legg Mason's Quarterly Report on Form�10-Q for the quarter ended September�30, 2005)*
- 10.3 Form of Restricted Stock Unit Gramward Letter under the Legg Mason, i2½Inc. Non-Employee Director Equity Plan (incorporated by reference to Legg Mason's Quarterly Report on Formi2½10-Q for the quarter ended Septemberi2½30, 2005)*
- 10.4 Legg Mason, Inc. 2017 Equity Incentive Plan (incorporated by referent/apptendixA to the definitive proxy statement for Legg Mason's 20/4 innual Meeting of Stockholders)*
- 10.5 Legg Mason�&�Co.,�LLC Deferred Compensation/Phantom Stock Plan, as amended (incorporated by reto Legg Mason'Annual Report on Form�10-K for the year ended March�31, 2009)*
- 10.6 Legg Mason,ï¿1/2Inc. Executive Incentive Compensation Plan (incorporated by refierementixia) to the definitive proxy statement for Legg Mason's 2041 Anual Meeting of Stockholders)*
- 10.7 Legg Mason,ï¿1/2Inc. 1996 Equity Incentive Plan, as amended (incorporated by refipernciexity to the definitive proxy statement for Legg Mason's 20Annual Meeting of Stockholders)*
- 10.8 Form of Non-Qualified Stock Option greement under the Legg Mason, i; ½Inc. 1996 Equity Incentive Plan (incorporated by reference to Legg Mason and Report on Form i; ½10-K for the fiscal year ended March 31, 2015)*
- 10.9 Non-Qualified Stock OptioAgreement dated as of May 2, 2013 between Legg Mason, Inc. and Aoseph Sullivan (incorporated by reference to Legg Mason's Current Report on Form 8-K for the event on May 2, 2013)*
- 10.10 Form of Restricted Stock Un#tgreement under the Legg Mason,ïز½Inc. 1996 Equity Incentive Plan (Incorporated by reference to Legg Masomisual Report on Form 10-K for the year ended March 31, 2016)*
- 10.11 Form of Restricted Stock UnAtgreement for Non-U.S. Resident Executive under the Legg Mason,�Inc. 1996 Equity Incentive Plan, (Incorporated by reference to Legg Ma&on'sal Report on Form 10-K for the year ended March 31, 2016)*
- 10.12 Form of Restricted Stock UnAtgreement under the Legg Mason, Inc. 1996 Equity Incentive Plan (incorporated by reference to Legg Mason's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017)*
- 10.13 Form of Restricted Stock Un#tgreement for Non-U.S. Resident Executive under the Legg Mason, Inc. 1996 Equity Incentive Plan (incorporated by reference to Legg Masonärtérly Report on Form 10-Q for the quarter ended June 30, 2017)*
- 10.14 Form of Performance Share UAiwardAgreement (incorporated by reference to Legg MassQniart/erly Report on Form 10-Q for the quarter ended June 30, 2017)*

- 10.15 Form of Restricted Stock UnAtgreement under the Legg Mason, Inc. 2017 Equity Incentive Plan (incorporated by reference to the Legg Ma&onual Report on Form 10-K for the fiscal year ended March 31, 2018)*
- 10.16 Form of Restricted Stock Un#tgreement for Non-U.S. Resident Executive under the Legg Mason, Inc. 2017 Equity Incentive Plan (incorporated by reference to the Legg Masonal Report on Form 10-K for the fiscal year ended March 31, 2018)*
- 10.17 Form of Performance Share UAiwardAgreement (incorporated by reference to the Legg MAssonual Report on Form 10-K for the fiscal year ended March 31, 2018)*
- 10.18 Form of LetterAgreement with Executives (incorporated by reference to the Legg Massonal Report on Form 10-K for the fiscal year ended March 31, 2019)*
- 10.19 Form of Transition Agreement with Executives (incorporated by reference to the Legg Massonal Report on Form 10-K for the fiscal year ended March 31, 2019)*
- 10.20 LeaseAgreement, dateelugusti 21/216, 2006, between Legg Mason and FOA Eright //2LLC (incorporated by reference to Legg Mason's Quarterly Report on Formi 21/210-Q for the quarter ended Septemberi 21/230, 2006)
- 10.21 CreditAgreement, dated as of June 27, 2012, between Legg Mason, Inc., as Borrower; Citibank, N.A., as AdministrativeAgent; The Bank of NewYork Mellon and State Street Bank aFrodist Companyas Joint DocumentationAgents; and the other banks party thereto (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on June 28, 2012)
- 10.22 Incremental Revolving Facilit greement, dated as of January 31, 2014, among Legg Mason, Inc., as Borrower, Citibank, N.A., a AdministrativeAgent, and the other banks party thereto (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on February 4, 2014)
- 10.23 Legg Mason, Inc. Deferred Compensation Fund Plan, amended and restationed by reference to Legg Mason's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014)*
- 10.24 Form of director's service agreement dated 1, 2013 between Legg Mason & Co (UK) Limited and Terence Johnson, (incorporated by reference to Legg Masonus Report on Form 10-K for the year ended March 31, 2013)*
- 10.25 Form of director's service agreement dated 1, 2015 between Legg Mason & Co (UK) Limited and Ursula Schliessler (incorporated by reference to Legg Masons al Report on Form 10-K for the year ended March 31, 2015)*
- 10.26 CreditAgreement, dated as of December 29, 2015, between Legg Mason, Inc., as Borrower; Citibank, N.A., as AdministrativeAgent; and the other banks party thereto (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on December 31, 2015)
- 10.27 First Amendment, dated as of March 31, 2016, to the CAgritement, dated as of December 29, 2015, by and among Legg Mason, Inc., as Borrov@itibank, N.A., as dministrativeAgent, and each of the lenders from time to time party thereto (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on April 1, 2016)
- 10.28 SecondAmendment, dated as of September 7, 2016, to the Organizement, dated as of December 29, 2015 (as amended by the Firstmendment to the Creditgreement, dated as of March 31, 2016), by and among Legg Mason, Inc., as Borrow@itibank, N.A., asAdministrativeAgent, and each of the lenders from time to time party thereto (incorporated by reference to Legg Mason's Current Report on Form 8-K filed on September 7, 2016)
- 10.29 Third Amendment, dated as of March 31, 2017, to the CAggitie ement, dated as of December 29, 2015 (as amended by the Firstmendment to the Cred t
- 10.30 TransactiorAgreement, dated as of January 22, 2016, by and amorgstRermal Group Holdings LLC, a Delaware limited liability company EPPartners Holdings LLC, a Delaware limited liability company of GRLC, a Delaware limited liability company and GH ERHoldings LLC, a Delaware limited liability company and EnrustPermal LLC, a Delaware limited liability company d solely for certain purposes specified therein, ï¿1/2Gregg S. Hymowitz and Legg Mason, Inc. (incorporated by reference to Legg Mason's Quarterly Report on Form 10-Q filed on February 9, 2016)
- 10.31 Form of Retention Letterkgreement with each Peter H. Nachtwegtricia Lattin and homas C. Merchant (incorporated by reference to Legg Masso Cigritent Report on Form 8-K for the events April 29, 2020)*
- 10.32 Form of Non-CompetitiorAgreement by and between JosephSullivan and Legg Mason, Inc. (incorporated by reference to Legg MasonQuérent Report on Form 8-K for the eventsApril 29, 2020)*

- 10.33 Form of Retention Lettergreement with Joseph Sullivan (incorporated by reference to Legg Masobiurtent Report on Form 8-K for the events April 29, 2020)*
- 10.34 Form of Retention Letter greement with Terence A. Johnson (incorporated by reference to Legg Massonirge at Report on Form 8-K for the events April 29, 2020)*
- 10.35 Form of Deferred Cash Un#tgreement for U.S. Executives, filed herewith*
- 10.36 Form of Deferred Cash Un#greement for non-U.S. Executives, filed herewith*
 - 21 Subsidiaries of the Compartiled herewith
 - 23 Consent of Independent Registered Putoicounting Firm, filed herewith
- 31.1 Certification of Chief Executive Ofcer, filed herewith
- 31.2 Certification of Principal Financial Ocer, filed herewith
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section�1350, as adopted pursuant to Section�906 of the Sarbanes Act lefy 2002, filed herewith
- 32.2 Certification of Principal Financial Octer pursuant to 18 U.S.C. Section�1350, as adopted pursuant to Section�906 of the Sarbanes Act lefy 2002, filed herewith
- 101 Financial statements from the nual Report on Formi; ½10-K of Legg Mason,ï; ½Inc. for the year ended Marchi; ½2020, filed on May 28, 2020, formatted in Inline XBRL: (i)ï; ½the Consolidated Balance Sheets, (ii)ï; ½the Consolidated Statements of Income (Loss), (iii)ï; ½the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Changes in Stockholders', Equipty the Consolidated Statements of Cash Flows and (vi)ï; ½the Notes to Consolidated Financial Statements tagged the destable document does not appear in the interactive data file because its tagge are embedded within the Inline XBRL document.
- 104 The cover page f this nnual Report on Form 10-K for the year ended March 31, 2020, filed with the SEC on May 28, 2020 is formatted in Inline XBRL.
- * These exhibits are management contracts or compensatory plans or arrangements.

ITEM 16. FORM 10-K SUMMAR Y.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exercise 4934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LEGG MASON, INC.

By: <u>/s/ JoseplA. Sullivan</u> JosephA. Sullivan, Chairman, President and Chief Executive Officer Date: May 28, 2020

Pursuant to the requirements of the Securities Excharger 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Signature		Title	Date
/s/ Josep k A. Sullivan	Chairman, President and Chief Executiveicer (Principal		May 28, 2020
JosephA. Sullivan			
/s/ Peter H. Nachtwey	Chief Financial Officer and Senior Executiveice�President ï∦∰zincipal Financial an&ccountingï¿fv@f)		May 28, 2020
Peter H. Nachtwey			
/s/ RobertAngelica	ï D ifector	ï¿1⁄2	May 28, 2020
Robert E. Angelica			
/s/ CarolA. Davidson	ï D ifector	ï¿1⁄2	May 28, 2020
Carol A. Davidson			
/s/ Stephen C. Hooley	ï D ifector	ï¿1⁄2	May 28, 2020
Stephen C. Hooley			
/s/ Edward PGarden	Director		May 28, 2020
Edward P. Garden			
/s/ Michelle J. Goldb e r	ïDitector		May 28, 2020
Michelle J. Goldberg			
/s/ JohnV. Murphy	ïDitector	ï¿1⁄2	May 28, 2020
John V. Murphy			
/s/ Nelson Peltz	Director		May 28, 2020
Nelson Peltz			
/s/Alison A. Quirk	Director	Ϊ¿1⁄2	May 28, 2020
Alison A. Quirk			