

LEGG MASON, INC.
Form 10-Q
August 07, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

OR

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

For the transition period
from _____ to _____

Commission file number: 1-8529

LEGG MASON, INC.
(Exact name of registrant as specified in its charter)

MARYLAND 52-1200960
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

100 International Drive - Baltimore, MD 21202
(Address of principal executive offices) (Zip code)

(410) 539-0000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

LEGG MASON, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

	June 30, 2012	March 31, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	\$757,884	\$1,382,263
Cash and cash equivalents of consolidated investment vehicles	28,463	26,139
Restricted cash	2,575	2,167
Receivables:		
Investment advisory and related fees	311,471	333,777
Other	44,104	100,060
Investment securities	345,505	412,119
Investment securities of consolidated investment vehicles	29,439	31,575
Deferred income taxes	109,486	117,391
Other	50,079	51,977
Total current assets	1,679,006	2,457,468
Fixed assets, net	232,401	239,411
Intangible assets, net	3,853,233	3,856,866
Goodwill	1,259,043	1,275,045
Investments of consolidated investment vehicles	297,129	294,853
Deferred income taxes	193,833	142,706
Other	282,853	287,653
Other assets of consolidated investment vehicles	1,509	1,745
Total Assets	\$7,799,007	\$8,555,747
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Current Liabilities		
Accrued compensation	\$186,000	\$409,759
Accounts payable and accrued expenses	195,504	195,808
Short-term borrowings	—	250,000
Current portion of long-term debt	51,066	1,278
Other	62,432	114,840
Other current liabilities of consolidated investment vehicles	12,212	4,097
Total current liabilities	507,214	975,782
Deferred compensation	41,780	57,339
Deferred income taxes	225,717	242,567
Other	167,489	167,544
Other liabilities of consolidated investment vehicles	3,620	3,872
Long-term debt	1,101,735	1,135,614
Long-term debt of consolidated investment vehicles	273,560	271,707
Total Liabilities	2,321,115	2,854,425

Commitments and Contingencies (Note 8)

Redeemable Noncontrolling Interests	21,502	24,031
Stockholders' Equity		
Common stock, par value \$.10; authorized 500,000,000 shares; issued 135,030,081 shares and 139,874,034 shares, respectively	13,503	13,987
Additional paid-in capital	3,684,690	3,864,216
Employee stock trust	(32,991	) (32,419
Deferred compensation employee stock trust	32,991	32,419
Retained earnings	1,690,451	1,715,395
Appropriated retained earnings for consolidated investment vehicle	9,356	12,221
Accumulated other comprehensive income, net	58,390	71,472
Total Stockholders' Equity	5,456,390	5,677,291
Total Liabilities and Stockholders' Equity	\$7,799,007	\$8,555,747
See Notes to Consolidated Financial Statements		

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

	Three Months Ended	
	June 30,	
	2012	2011
Operating Revenues		
Investment advisory fees:		
Separate accounts	\$ 182,436	\$ 204,793
Funds	356,474	400,144
Performance fees	8,566	18,614
Distribution and service fees	81,623	92,064
Other	1,593	1,493
Total operating revenues	630,692	717,108
Operating Expenses		
Compensation and benefits	270,262	300,352
Transition-related compensation	—	11,395
Total compensation and benefits	270,262	311,747
Distribution and servicing	169,825	180,756
Communications and technology	37,630	40,501
Occupancy	30,252	33,238
Amortization of intangible assets	3,505	5,578
Other	43,141	44,922
Total operating expenses	554,615	616,742
Operating Income	76,077	100,366
Other Non-Operating Income (Expense)		
Interest income	1,936	3,055
Interest expense	(19,227)	(22,361)
Other income (expense), net, including \$68,975 debt extinguishment loss in 2012	(72,633)	3,403
Other non-operating income (loss) of consolidated investment vehicles, net	(4,134)	5,102
Total other non-operating expense	(94,058)	(10,801)
Income (Loss) Before Income Tax Provision (Benefit)	(17,981)	89,565
Income tax provision (benefit)	(4,997)	27,867
Net Income (Loss)	(12,984)	61,698
Less: Net income (loss) attributable to noncontrolling interests	(3,526)	1,746
Net Income (Loss) Attributable to Legg Mason, Inc.	\$ (9,458)	\$ 59,952
Net Income (Loss) per Share Attributable to Legg Mason, Inc. Common Shareholders:		
Basic	\$ (0.07)	\$ 0.40
Diluted	\$ (0.07)	\$ 0.40
Weighted Average Number of Shares Outstanding		
Basic	138,720	149,210
Diluted	138,720	149,347
Dividends Declared per Share	\$ 0.11	\$ 0.08

See Notes to Consolidated Financial Statements

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

	Three Months Ended	
	June 30,	
	2012	2011
Net Income (Loss)	\$(12,984	) \$61,698
Other comprehensive income (loss):		
Foreign currency translation adjustment	(13,135	) 13,360
Unrealized gains on investment securities:		
Unrealized holding gains, net of tax provision of \$41, and \$44, respectively	62	67
Reclassification adjustment for (gains) losses included in net income (loss)	(9	) 4
Net unrealized gains on investment securities	53	71
Total other comprehensive income (loss)	(13,082	) 13,431
Comprehensive Income (Loss)	(26,066	) 75,129
Less: Comprehensive income (loss) attributable to noncontrolling interests	(3,526	) 1,746
Comprehensive Income (Loss) Attributable to Legg Mason, Inc.	\$(22,540	) \$73,383
See Notes to Consolidated Financial Statements		

LEGG MASON, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands)
(Unaudited)

	Three Months Ended June 30,	
	2012	2011
COMMON STOCK		
Beginning balance	\$ 13,987	\$ 15,022
Stock options and other stock-based compensation	1	2
Deferred compensation employee stock trust	3	3
Deferred compensation, net	158	116
Equity Units exchanged	—	183
Employee tax withholdings by net share transactions	(29)) —
Shares repurchased and retired	(617)	) (603)
Ending balance	13,503	14,723
ADDITIONAL PAID-IN CAPITAL		
Beginning balance	3,864,216	4,111,095
Stock options and other stock-based compensation	3,327	4,894
Deferred compensation employee stock trust	831	1,060
Deferred compensation, net	9,145	7,965
Equity Units exchanged	—	102,856
Employee tax withholdings by net share transactions	(7,613)) —
Shares repurchased and retired	(154,383)	) (199,516)
Allocation from 2.5% Convertible Senior Notes repurchase, net of tax	(30,833)) —
Ending balance	3,684,690	4,028,354
EMPLOYEE STOCK TRUST		
Beginning balance	(32,419)	) (34,466)
Shares issued to plans	(834)	) (1,063)
Distributions and forfeitures	262	679
Ending balance	(32,991)	) (34,850)
DEFERRED COMPENSATION EMPLOYEE STOCK TRUST		
Beginning balance	32,419	34,466
Shares issued to plans	834	1,063
Distributions and forfeitures	(262)	) (679)
Ending balance	32,991	34,850
RETAINED EARNINGS		
Beginning balance	1,715,395	1,539,984
Net income (loss) attributable to Legg Mason, Inc.	(9,458)	) 59,952
Dividends declared	(15,486)	) (12,184)
Ending balance	1,690,451	1,587,752
APPROPRIATED RETAINED EARNINGS FOR CONSOLIDATED INVESTMENT VEHICLE		
Beginning balance	12,221	10,922
Net loss reclassified to appropriated retained earnings	(2,865)	) (2,145)
Ending balance	9,356	8,777
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET		
Beginning balance	71,472	93,361

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Net unrealized holding gains on investment securities	53	71
Foreign currency translation adjustment	(13,135) 13,360
Ending balance	58,390	106,792
TOTAL STOCKHOLDERS' EQUITY	\$5,456,390	\$5,746,398

See Notes to Consolidated Financial Statements

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

	Three Months Ended		
	June 30,		
	2012	2011	
Cash Flows from Operating Activities			
Net Income (Loss)	\$(12,984	) \$61,698
2.5% Convertible Senior Notes:			
Allocation of repurchase payment	(216,038) —	
Loss on extinguishment	68,975	—	
Adjustments to reconcile Net Income (Loss) to net cash provided by operations:			
Depreciation and amortization	17,079	22,879	
Imputed interest for 2.5% Convertible Senior Notes	5,839	9,489	
Accretion and amortization of securities discounts and premiums, net	1,101	1,147	
Stock-based compensation	12,734	12,431	
Net losses on investments	4,628	177	
Net losses (gains) of consolidated investment vehicles	4,913	(3,538)
Deferred income taxes	(8,659	) 4,067
Other	549	533	
Decrease (increase) in assets:			
Investment advisory and related fees receivable	22,142	15,763	
Net sales of trading and other current investments	67,202	20,635	
Other receivables	5,033	(6,993)
Other assets	155	7,713	
Increase (decrease) in liabilities:			
Accrued compensation	(223,135) (115,161)
Deferred compensation	(15,559) (25,786)
Accounts payable and accrued expenses	(260	) 106
Other liabilities	(20,690	) 22,694
Net increase (decrease) in operating assets and liabilities of consolidated investment vehicles, including cash	7,435	(103,751)
Cash Used in Operating Activities	(279,540) (75,897)
Cash Flows from Investing Activities			
Payments for fixed assets	(7,461) (8,133)
Restricted cash	(408	) 1,617
Purchases of investment securities	(2,225) (1,630)
Proceeds from sales and maturities of investment securities	1,961	1,723	
Purchases of investments by consolidated investment vehicles	(59,877) (56,831)
Proceeds from sales and maturities of investments by consolidated investment vehicles	55,387	71,357	
Cash Provided by (Used in) Investing Activities	\$(12,623	) \$8,103

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

	Three Months Ended June 30,	
	2012	2011
Cash Flows from Financing Activities		
Repayment of short-term borrowings	\$(250,000) \$—
Repayment of 2.5% Convertible Senior Notes, net of operating allocation	(1,040,212) —
Repayment of long-term debt	(425	) (195
Proceeds from issuance of long-term debt	1,143,246	—
Debt issuance costs	(8,498) —
Issuance of common stock	729	1,133
Repurchase of common stock	(162,642	) (200,119
Dividends paid	(11,178	) (9,144
Net repayments of consolidated investment vehicles	—	82,727
Net (redemptions/distributions paid to)/subscriptions received from noncontrolling interest holders	(1,868	) 7,388
Cash Used in Financing Activities	(330,848	) (118,210
Effect of Exchange Rate Changes on Cash	(1,368	) 6,105
Net Decrease in Cash and Cash Equivalents	(624,379	) (179,899
Cash and Cash Equivalents at Beginning of Period	1,382,263	1,375,918
Cash and Cash Equivalents at End of Period	\$757,884	\$1,196,019

See Notes to Consolidated Financial Statements

LEGG MASON, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except per share amounts or unless otherwise noted)
June 30, 2012
(Unaudited)

1. Interim Basis of Reporting

The accompanying unaudited interim consolidated financial statements of Legg Mason, Inc. and its subsidiaries (collectively "Legg Mason") have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and the applicable rules and regulations of the Securities and Exchange Commission (the "SEC"). The interim consolidated financial statements have been prepared using the interim basis of reporting and, as such, reflect all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of the results for the periods presented. The preparation of interim consolidated financial statements requires management to make assumptions and estimates that affect the amounts reported in the interim consolidated financial statements and accompanying notes. Actual amounts could differ from those estimates and the differences could have a material impact on the interim consolidated financial statements.

The nature of our business is such that the results of any interim period are not necessarily indicative of the results of a full year. The fiscal year-end condensed balance sheet was derived from audited financial statements and, in accordance with interim financial information standards, does not include all disclosures required by U.S. GAAP for annual financial statements. Certain amounts in prior period financial statements have been reclassified to conform to the current period presentation.

The information contained in the interim consolidated financial statements should be read in conjunction with our latest Annual Report on Form 10-K filed with the SEC.

Terms such as "we," "us," "our," and "Company" refer to Legg Mason.

2. Significant Accounting Policies

Consolidation

In accordance with financial accounting standards on consolidation, Legg Mason consolidates and separately identifies certain sponsored investment vehicles, the most significant of which is a collateralized loan obligation entity ("CLO"). The consolidation of these investment vehicles 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 these consolidated investment vehicles, which is recorded in Other non-operating income (expense), is reflected in its Net Income (Loss), net of amounts allocated to noncontrolling interests. Also, see Note 12 for additional information regarding the consolidation of investment vehicles.

Restructuring Costs

In May 2010, Legg Mason's management committed to a plan to streamline its business model as further described in Note 11. The streamlining initiative was complete as of March 31, 2012. The costs associated with this initiative primarily related to employee termination benefits, incentives to retain employees during the transition period, charges for consolidating leased office space, and contract termination costs. Termination benefits, including severance and retention incentives, were recorded as Transition-related compensation in the Consolidated Statements of Income (Loss). These compensation items required employees to provide future service and were therefore expensed ratably

over the required service period. Contract termination and other costs were expensed when incurred.

New Capital Plan

In May 2012, Legg Mason implemented a new capital plan for the refinancing/restructuring of debt and the acceleration/increase of share repurchase authorizations. As a result, Net Income (Loss) Attributable to Legg Mason, Inc. for the three months ended June 30, 2012, includes a pre-tax loss on debt extinguishment of \$68,975 and a net reduction in outstanding debt obligations of \$350,000. See Notes 6 and 9 for further details.

Income Taxes

During the three months ended June 30, 2012, the effective benefit rate of 27.8% includes a reduction of 7.2% from the impact of consolidated investment vehicles ("CIVs"), which increases Net Income (Loss) Before Income Tax Provision (Benefit), but has no related Income tax provision (benefit).

Noncontrolling Interests

Noncontrolling interests related to CIVs are classified as redeemable noncontrolling interests if investors in these funds may request withdrawals at any time. There are no nonredeemable noncontrolling interests as of June 30, 2012, March 31, 2012, or June 30, 2011. As noted above, Net income (loss) attributable to noncontrolling interests in the Consolidated Statements of Income also includes Net income (loss) reclassified to Appropriated retained earnings for consolidated investment vehicle in the Consolidated Balance Sheets.

Net income (loss) attributable to noncontrolling interests for the three months ended June 30, 2012 and 2011 included the following amounts:

	Three Months Ended June 30,	
	2012	2011
Net income (loss) attributable to redeemable noncontrolling interests	\$(661	) \$3,891
Net loss reclassified to Appropriated retained earnings for consolidated investment vehicle	(2,865	) (2,145
Total	\$(3,526	) \$1,746

Redeemable noncontrolling interests as of and for the three months ended June 30, 2012 and 2011, were as follows:

	Three Months Ended June 30,	
	2012	2011
Balance, beginning of period	\$24,031	\$36,712
Net income (loss) attributable to redeemable noncontrolling interests	(661	) 3,891
Net (redemptions/distributions paid to)/subscriptions received from noncontrolling interest holders	(1,868	) 7,388
Balance, end of period	\$21,502	\$47,991

Recent Accounting Developments

In July 2012, the FASB updated the guidance on the annual indefinite-lived intangible asset tests for impairment. The update permits companies to assess qualitative factors to determine if it is more likely than not that the fair value of the intangible asset is less than its carrying amount as a basis for determining whether it is necessary to perform the currently required quantitative fair value assessment. This update will be effective for Legg Mason in fiscal 2014, if not adopted early. This update is not expected to have a material effect on its recorded indefinite-lived assets, and Legg Mason is still evaluating its adoption.

3. Fair Values of Assets and Liabilities

The disclosures below include details of Legg Mason's assets and liabilities that are measured at fair value, excluding the assets and liabilities of CIVs. See Note 12, Variable Interest Entities and Consolidation of Investment Vehicles, for information related to the assets and liabilities of CIVs that are measured at fair value.

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

	As of June 30, 2012			Total
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets:				
Cash equivalents ⁽¹⁾ :				
Money market funds	\$428,517	\$—	\$—	\$428,517
Time deposits	—	90,791	—	90,791
Total cash equivalents	428,517	90,791	—	519,308
Investment securities:				
Trading investments relating to long-term incentive compensation plans ⁽²⁾	91,152	—	—	91,152
Trading proprietary fund products and other investments ⁽³⁾	116,446	80,802	—	197,248
Equity method investments relating to long-term incentive compensation plans, proprietary fund products and other investments ⁽⁴⁾⁽⁵⁾	11,586	34,223	11,296	57,105
Total current investments	219,184	115,025	11,296	345,505
Available-for-sale investment securities	2,108	10,138	12	12,258
Investments in partnerships, LLCs and other	751	2,646	28,513	31,910
Equity method investments in partnerships and LLCs ⁽⁴⁾	1,322	3	160,602	161,927
Derivative assets:				
Currency and market hedges	1,129	—	—	1,129
Other investments	—	—	116	116
	\$653,011	\$218,603	\$200,539	\$1,072,153
Liabilities:				
Derivative liabilities:				
Currency and market hedges	\$(762) \$—	\$—	\$(762)

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	As of March 31, 2012			Total
	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets:				
Cash equivalents⁽¹⁾:				
Money market funds	\$ 893,738	\$—	\$—	\$ 893,738
Time deposits	—	88,289	—	88,289
Total cash equivalents	893,738	88,289	—	982,027
Investment securities:				
Trading investments relating to long-term incentive compensation plans ⁽²⁾	111,257	—	—	111,257
Trading proprietary fund products and other investments ⁽³⁾	143,002	79,583	—	222,585
Equity method investments relating to long-term incentive compensation plans, proprietary fund products and other investments ⁽⁴⁾⁽⁵⁾	11,565	54,934	11,778	78,277
Total current investments	265,824	134,517	11,778	412,119
Available-for-sale investment securities	2,091	9,810	12	11,913
Investments in partnerships, LLCs and other	851	5,351	28,763	34,965
Equity method investments in partnerships and LLCs ⁽⁴⁾	1,415	1,348	166,438	169,201
Derivative assets:				
Currency and market hedges	84	—	—	84
Other investments	—	—	112	112
	\$ 1,164,003	\$ 239,315	\$ 207,103	\$ 1,610,421
Liabilities:				
Derivative liabilities:				
Currency and market hedges	\$(886)	\$—	\$—	\$(886)

(1) Cash equivalents include highly liquid investments with original maturities of 90 days or less. Cash investments in actively traded money market funds are measured at net asset value ("NAV") and are classified as Level 1. Cash investments in time deposits are measured at amortized cost, which approximates fair value because of the short time between the purchase of the instrument and its expected realization, and are classified as Level 2.

(2) Primarily mutual funds where there is minimal market risk to the Company as any change in value is primarily offset by an adjustment to compensation expense and related deferred compensation liability.

(3) Trading proprietary fund products and other investments primarily represent mutual funds that are invested approximately 54% and 46% in equity and debt securities as of June 30, 2012, respectively, and were invested approximately 52% and 48% in equity and debt securities as of March 31, 2012, respectively.

(4) Substantially all of Legg Mason's equity method investments are investment companies which record their underlying investments at fair value. Fair value is measured using Legg Mason's share of the investee's underlying net income or loss, which is predominately representative of fair value adjustments in the investments held by the equity method investee.

(5) Includes investments under the equity method (which approximates fair value) relating to long-term incentive compensation plans of \$34,223 and \$54,934 as of June 30, 2012 and March 31, 2012, respectively, and proprietary fund products and other investments of \$22,881 and \$23,343 as of June 30, 2012 and March 31, 2012, respectively, which are classified as Investment securities on the Consolidated Balance Sheets.

Substantially all of the above financial instruments where valuation methods rely on other than observable market inputs as a significant input utilize the equity method, the cost method, or NAV practical expedient, such that measurement uncertainty has little relevance.

The changes in financial assets measured at fair value using significant unobservable inputs (Level 3) for the three months ended June 30, 2012 and 2011, are presented in the table below:

	Value as of March 31, 2012	Purchases	Sales	Settlements/ Other	Transfers	Realized and unrealized gains/(losses), net	Value as of June 30, 2012
Assets:							
Equity method investments in proprietary fund products	\$ 11,778	\$—	\$—	\$—	\$—	\$(482)	\$ 11,296
Investments in partnerships, LLCs and other	28,763	—	—	(151)	—	(99)	28,513
Equity method investments in partnerships and LLCs	166,438	90	(1,602)	(5,614)	—	1,290	160,602
Other investments	124	—	—	—	—	4	128
	\$ 207,103	\$ 90	\$(1,602)	\$(5,765)	\$—	\$ 713	\$ 200,539
	Value as of March 31, 2011	Purchases	Sales	Settlements/ Other	Transfers	Realized and unrealized gains/(losses), net	Value as of June 30, 2011
Assets:							
Trading proprietary fund products and other investments	\$ 11,378	\$—	\$(11,641)	\$—	\$—	\$ 543	\$ 280
Equity method investments in proprietary fund products	12,167	—	—	—	—	73	12,240
Investments in partnerships, LLCs and other	22,167	—	—	(215)	—	—	21,952
Equity method investments in partnerships and LLCs	153,931	1,330	(1,657)	(12,078)	—	1,581	143,107
Other investments	282	—	—	—	—	972	1,254
	\$ 199,925	\$ 1,330	\$(13,298)	\$(12,293)	\$—	\$ 3,169	\$ 178,833

Realized and unrealized gains and losses recorded for Level 3 investments are included in Other income (expense) on the Consolidated Statements of Income. Total unrealized gains for Level 3 investments relating only to those assets

still held at the reporting date were \$1,284 and \$1,068, respectively.

There were no material transfers between Level 1 and Level 2 during the three months ended June 30, 2012 and 2011.

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As a practical expedient, Legg Mason relies on the NAV of certain investments as their fair value. The NAVs that have been provided by the investees have been derived from the fair values of the underlying investments as of the reporting date. The following table summarizes, as of June 30, 2012, the nature of these investments and any related liquidation restrictions or other factors which may impact the ultimate value realized:

Category of Investment	Investment Strategy	Fair Value Determined Using NAV			As of June 30, 2012	
		June 30, 2012	March 31, 2012	Unfunded Commitments	Remaining Term	
Funds-of-hedge funds	Global macro, fixed income, long/short equity, natural resources, systematic, emerging market, European hedge	\$44,878	(1) \$51,251	(2) n/a	n/a	
Hedge funds	Fixed income - developed market, event driven, fixed income - hedge, relative value arbitrage, European hedge	26,367	25,460	\$20,000	n/a	
Private equity funds	Long/short equity	27,664	(3) 27,927	(3) 5,932	Up to 8 years	
Private fund ⁽⁴⁾	Fixed income, residential and commercial mortgage-backed securities	89,003	(3) 89,323	(3) n/a	6 years, subject to two one-year extensions	
Other	Various	2,153	2,450	n/a	Various ⁽⁵⁾	
Total		\$190,065	(6) \$196,411	(6) \$25,932		

n/a-not applicable

(1) 59% monthly redemption; 41% quarterly redemption, of which 37% is subject to two-year lock-up.

(2) 63% monthly redemption; 37% quarterly redemption, of which 36% is subject to two-year lock-up.

(3) Liquidations are expected over the remaining term.

(4) Redemptions prohibited until November 2012.

(5) 4% remaining term of less than one year and 96% 20-year remaining term.

(6) Comprised of approximately 13% and 87% of Level 2 and Level 3 assets, respectively, as of both June 30, 2012 and March 31, 2012.

There are no current plans to sell any of these investments held as of June 30, 2012.

4. Fixed Assets

Fixed assets consist of equipment, software and leasehold improvements. Equipment consists primarily of communications and technology hardware and furniture and fixtures. Software includes purchased software and internally developed software. Fixed assets are reported at cost, net of accumulated depreciation and amortization. The following table reflects the components of fixed assets as of:

	June 30, 2012	March 31, 2012
Equipment	\$154,294	\$155,173
Software	210,094	205,760
Leasehold improvements	243,565	242,566
Total cost	607,953	603,499
Less: accumulated depreciation and amortization	(375,552)	(364,088)

Fixed assets, net	\$232,401	\$239,411
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Depreciation and amortization expense included in operating income was \$13,575 and \$17,301 for the three months ended June 30, 2012 and 2011, respectively.

5. Intangible Assets and Goodwill

The following table reflects the components of intangible assets as of:

	June 30, 2012	March 31, 2012
Amortizable asset management contracts		
Cost	\$205,486	\$206,411
Accumulated amortization	(175,554	) (172,974
Net	29,932	33,437
Indefinite-life intangible assets		
Fund management contracts	3,753,501	3,753,629
Trade names	69,800	69,800
	3,823,301	3,823,429
Intangible assets, net	\$3,853,233	\$3,856,866

As of June 30, 2012, amortizable asset management contracts are being amortized over a weighted-average remaining life of 2.8 years.

Estimated amortization expense for each of the next five fiscal years is as follows:

Remaining 2013	\$10,514
2014	11,835
2015	2,920
2016	2,663
2017	2,000
Thereafter	—
Total	\$29,932

Indefinite-life fund management contracts include \$2,502,000 of mutual fund contracts acquired in the Citigroup Asset Management ("CAM") acquisition, principally managed by ClearBridge Advisors LLC and Western Asset Management Company, which as of Legg Mason's most recent annual impairment test as of December 31, 2011, had an assessed fair value that exceeded its carrying value by 5%. Given the current uncertainty regarding future market conditions, should market performance, flows, or related AUM levels decrease in the near term such that cash flow projections deviate from current projections, it is reasonably possible that the asset could be deemed to be impaired by a material amount.

The change in the carrying value of goodwill is summarized below:

	Gross Book Value	Accumulated Impairment	Net Book Value
Balance as of March 31, 2012	\$2,436,945	\$(1,161,900	) \$1,275,045
Impact of excess tax basis amortization	(5,396	) —	(5,396
Other, including changes in foreign exchange rates	(10,606	) —	(10,606
Balance as of June 30, 2012	\$2,420,943	\$(1,161,900	) \$1,259,043

6. Short-Term Borrowings and Long-Term Debt

The disclosures below include details of Legg Mason's debt, excluding the debt of CIVs. See Note 12, Variable Interest Entities and Consolidation of Investment Vehicles, for information related to the debt of CIVs.

In May 2012, Legg Mason announced a new capital plan that included the refinancing of its 2.5% Convertible Senior Notes (the "Notes") due 2015, as further discussed below. The refinancing was effected through the issuance of \$650,000 of 5.5% senior notes, the net proceeds of which, together with cash on hand and \$250,000 of remaining borrowing capacity under an existing revolving credit facility, were used to repurchase the entire \$1,250,000 face amount of the Notes.

Also, pursuant to the new capital plan, in June 2012, Legg Mason entered into a new unsecured credit agreement which provides for a new undrawn \$500,000 revolving credit facility and a \$500,000 term loan, also further discussed below. The proceeds of the term loan were used to repay the \$500,000 of outstanding borrowings under the previous revolving credit facility, which was then terminated. As of March 31, 2012, there was \$250,000 outstanding under the previous revolving credit facility, which had a then effective interest rate of 2.9%.

The new \$500,000 revolving credit facility may be increased by an aggregate amount up to \$250,000, subject to the approval of the lenders, and expires in June 2017. The new revolving credit facility has an interest rate of LIBOR plus 150 basis points and an annual commitment fee of 20 basis points. The interest rate may change in the future based on changes in Legg Mason's credit ratings. This revolving credit facility is available to fund working capital needs and for general corporate purposes. There were no borrowings outstanding under this facility as of June 30, 2012.

The revolving credit facility and term loan have standard financial covenants, including a maximum net debt to EBITDA ratio (as defined in the documents) of 2.5 to 1 and minimum EBITDA to interest ratio (as defined in the documents) of 4.0 to 1. As of June 30, 2012, Legg Mason's net debt to EBITDA ratio was 1.5 to 1 and EBITDA to interest expense ratio was 13.2 to 1, and therefore, Legg Mason has maintained compliance with the applicable covenants.

Five-year Term Loan

The \$500,000 term loan entered into in conjunction with the unsecured credit agreement noted above can be repaid at any time and will be due in four annual installments of \$50,000, beginning in June 2013, with the remainder to be repaid at maturity in June 2017. The term loan bears interest at LIBOR plus 150 basis points, which may change in the future based on changes in Legg Mason's credit ratings. The effective interest rate as of June 30, 2012 was 2.0%.

5.5% Senior Notes

The \$650,000 5.5% Senior Notes (the "Senior Notes") due May 2019, were sold at a discount of \$6,754, which is being amortized to interest expense over the seven-year term. The Senior Notes are subject to certain nonfinancial covenants and registration rights, which if not complied with, could require additional interest up to 0.50% over the stated rate. The Senior 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 scheduled payments discounted at the Treasury rate (as defined) plus 0.50%, together with any related accrued and unpaid interest.

2.5% Convertible Senior Notes and Related Hedge Transactions

The terms of the repurchase of the Notes in May 2012 noted above included their repayment at par plus accrued interest, a prepayment fee of \$6,250, and a non-cash exchange of warrants (the "Warrants") to the holders of the Notes that replicate and extend the contingent conversion feature of the Notes. The cash payment of \$1,256,250 to repurchase the Notes was allocated between their liability and equity components based on a liability fair value of \$1,193,971, determined using a current market interest rate of 4.1%, resulting in a loss on debt extinguishment of \$68,975, including \$7,851 of accelerated deferred issue costs. The remaining balance of the cash payment was allocated to the equity component of the Notes for a \$62,279 reduction of additional paid-in capital, offset by related tax benefits of \$31,446. The \$1,193,971 amount of cash repurchase payment allocated to the liability component of the Notes upon their extinguishment exceeds the initial allocated value at issuance of \$977,933, requiring the Consolidated Statements of Cash Flows for the three months ended June 30, 2012 to include an allocation of the

\$216,038 excess to operating activities.

The Warrants issued to the holders of the Notes in connection with the repurchase of the Notes provide for the purchase, in the aggregate and subject to adjustment, of 14,205 shares of Legg Mason common stock, on a net share settled basis, at an

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exercise price of \$88 per share. Upon exercise of the Warrants, Legg Mason will be required to deliver to the holders of the Warrants, at its election, either shares of its common stock or cash, in an amount based on the excess of the market price per share of its common stock over the exercise price of the Warrants. The Warrants expire in July 2017. At execution of the repurchase, Legg Mason had the ability to settle its obligations under the Warrants with Legg Mason common stock. Accordingly, the Warrants were accounted for as equity.

In connection with the extinguishment of the Notes, the hedge transactions (purchased call options and warrants) executed in connection with the initial issuance of the Notes were also terminated.

The accreted value of long-term debt consists of the following:

	June 30, 2012			March 31, 2012
	Current Accreted Value	Unamortized Discount	Maturity Amount	Accreted Value
2.5% convertible senior notes	\$—	\$—	\$—	\$1,127,009
Five-year term loan	500,000	—	500,000	—
5.5% senior notes	643,348	6,652	650,000	—
Other term loans	9,453	—	9,453	9,883
Subtotal	1,152,801	6,652	1,159,453	1,136,892
Less: current portion	51,066	—	51,066	1,278
Total	\$1,101,735	\$6,652	\$1,108,387	\$1,135,614

As of June 30, 2012, the aggregate maturities of long-term debt, based on their contractual terms, are as follows:

Remaining 2013	\$853
2014	51,332
2015	51,386
2016	55,882
2017	50,000
Thereafter	950,000
Total	\$1,159,453

At June 30, 2012, the estimated fair value of long-term debt was \$1,166,790, and is classified as Level 2 in the fair value hierarchy.

Prior to the repurchase of the Notes, as previously discussed, Legg Mason was accreting the carrying value of the Notes to the principal amount at maturity using an interest rate of 6.5% (the effective borrowing rate for non-convertible debt at the time of issuance) over its expected life of seven years, resulting in interest expense of \$5,839 and \$9,489 for the three months ended June 30, 2012 and 2011, respectively.

7. Stock-Based Compensation

Legg Mason's stock-based compensation includes stock options, employee stock purchase plans, restricted stock awards and units, performance shares payable in common stock, and deferred compensation payable in stock. Effective July 26, 2011, the number of shares authorized to be issued under Legg Mason's active equity incentive stock plan was increased by 6,500 to 41,500. Shares available for issuance under the active equity incentive stock plan as of June 30, 2012, were 10,615. Options under Legg Mason's employee stock plans have been granted at prices not less than 100% of the fair market value. Options are generally exercisable in equal increments over four to five years and expire within eight to ten years from the date of grant.

Compensation expense relating to stock options for the three months ended June 30, 2012 and 2011, was \$3,283 and \$4,181, respectively.

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Stock option transactions during the three months ended June 30, 2012, and 2011, respectively, are summarized below:

	Three Months Ended June 30, 2012		2011	
	Number of shares	Weighted-average exercise price per share	Number of shares	Weighted-average exercise price per share
Options outstanding at March 31	5,624	\$57.78	5,419	\$59.82
Granted	966	23.72	810	33.99
Exercised	—	—	(6	) 29.73
Canceled/forfeited	(263	) 65.61	(54	) 48.18
Options outstanding at June 30	6,327	\$52.25	6,169	\$56.56

At June 30, 2012, options were exercisable on 3,412 shares, with a weighted-average exercise price of \$70.23 and a weighted-average remaining contractual life of 3.0 years. Unamortized compensation cost related to unvested options (2,915 shares) at June 30, 2012, was \$28,368 and is expected to be recognized over a weighted-average period of 1.9 years.

The weighted-average fair value of stock option grants during the three months ended June 30, 2012 and 2011, using the Black Scholes option pricing model, was \$9.47 and \$13.13 per share, respectively.

The following weighted-average assumptions were used in the model for grants in fiscal 2013 and 2012:

	Three Months Ended June 30,		
	2012	2011	
Expected dividend yield	1.44	% 1.39	%
Risk-free interest rate	0.81	% 1.95	%
Expected volatility	51.80	% 47.16	%
Expected life (in years)	5.02	5.12	

Compensation expense relating to restricted stock and restricted stock units for the three months ended June 30, 2012 and 2011, was \$9,307 and \$8,075, respectively.

Restricted stock and restricted stock unit transactions during the three months ended June 30, 2012 and 2011, respectively, are summarized below:

	Three Months Ended June 30, 2012		2011	
	Number of shares	Weighted-average grant date value	Number of shares	Weighted-average grant date value
Unvested shares at March 31	2,873	\$ 33.83	2,637	\$ 33.01
Granted	1,842	23.72	1,247	33.99
Vested	(881	) 32.41	(678	) 34.05
Canceled/forfeited	(27	) 30.86	(19	) 33.29
Unvested shares at June 30	3,807	\$ 29.29	3,187	\$ 33.17

Unamortized compensation cost related to unvested restricted stock and restricted stock unit awards at June 30, 2012 of \$96,936 is expected to be recognized over a weighted-average period of 1.9 years.

Compensation expense relating to the stock purchase plan and deferred compensation payable in stock for the three months ended June 30, 2012 and 2011, was \$144 and \$175, respectively.

As of June 30, 2012 and 2011, non-employee directors held 184 and 220 stock options, respectively, which are included in

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the outstanding options presented in the table above. As of June 30, 2012 and 2011, non-employee directors held 74 and 62 restricted stock units, respectively, which vest on the grant date and are, therefore, not included in the unvested shares of restricted stock and restricted stock units in the table above. There were no stock option, restricted stock or restricted stock unit transactions related to non-employee directors during the three months ended June 30, 2012 and 2011.

During fiscal 2012, Legg Mason established a long-term incentive plan (the "LTIP") under its equity incentive plan, which provides an additional element of compensation that is based on performance. Under the LTIP, executive officers were granted cash value performance units in the June 2011 quarter that will vest at the end of a three year period based upon Legg Mason's cumulative adjusted earnings per share over the period. Awards granted under the LTIP may be settled in cash and/or shares of Legg Mason common stock, at the discretion of Legg Mason. The estimated payout amount of the award, if any, would be expensed over the vesting period based on a probability assessment of the expected outcome under the LTIP provisions.

As part of the Company's streamlining initiative, as further discussed in Note 11, the employment of certain recipients of stock option and restricted stock awards has been terminated. The termination benefits extended to these employees included accelerated vesting of their unvested equity incentive awards to January 1, 2012, which precedes dates under the original terms of the awards.

8. Commitments and Contingencies

Legg Mason leases office facilities and equipment under non-cancelable operating leases, and also has multi-year agreements for certain services. These leases and service agreements expire on varying dates through fiscal 2026. Certain leases provide for renewal options and contain escalation clauses providing for increased rentals based upon maintenance, utility and tax increases.

As of June 30, 2012, the minimum annual aggregate rentals under operating leases and service agreements are as follows:

Remaining 2013	\$ 110,944
2014	120,285
2015	110,754
2016	99,309
2017	90,305
Thereafter	503,819
Total	\$1,035,416

The minimum rental commitments shown above have not been reduced by \$144,740 for minimum sublease rentals to be received in the future under non-cancelable subleases, of which approximately 51% is due from one counterparty. If a sub-tenant defaults on a sublease, Legg Mason may incur operating charges to reflect expected future sublease rentals at reduced amounts, as a result of the current commercial real estate market.

The above minimum rental commitments include \$931,459 in real estate and equipment leases and \$103,957 in service and maintenance agreements.

As of June 30, 2012, Legg Mason had commitments to invest approximately \$36,673 in limited partnerships that make private investments. These commitments are expected to be funded as required through the end of the respective investment periods ranging through fiscal 2018.

In the normal course of business, Legg Mason enters into contracts that contain a variety of representations and warranties and that provide general indemnifications, which are not considered financial guarantees by relevant accounting guidance. Legg Mason's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against Legg Mason that have not yet occurred.

Legg Mason has been the subject of customer complaints and has also been named as a defendant in various legal actions arising primarily from securities brokerage, asset management and investment banking activities, including certain class actions, which primarily allege violations of securities laws and seek unspecified damages, which could be substantial. In

the normal course of its business, Legg Mason has also received subpoenas and is currently involved in governmental and self-regulatory agency inquiries, investigations and, from time to time, proceedings involving asset management activities. In accordance with guidance for accounting for contingencies, Legg Mason has established provisions for estimated losses from pending complaints, legal actions, investigations and proceedings when it is probable that a loss has been incurred and a reasonable estimate of loss can be made.

In a transaction with Citigroup in December 2005, Legg Mason transferred to Citigroup the subsidiaries that constituted its Private Client/Capital Markets ("PC/CM") businesses, thus transferring the entities that would have primary liability for most of the customer complaint, litigation and regulatory liabilities and proceedings arising from those businesses. However, as part of that transaction, Legg Mason agreed to indemnify Citigroup for most customer complaint, litigation and regulatory liabilities of Legg Mason's former PC/CM businesses that result from pre-closing events. While the ultimate resolution of these matters cannot be currently determined based on current information, after consultation with legal counsel, management believes that any accrual or range of reasonably possible losses as of June 30, 2012 and 2011, is not material. Similarly, although Citigroup transferred to Legg Mason the entities that would be primarily liable for most customer complaint, litigation and regulatory liabilities and proceedings of the CAM business, Citigroup has agreed to indemnify Legg Mason for most customer complaint, litigation and regulatory liabilities of the CAM business that result from pre-closing events.

One of Legg Mason's asset management subsidiaries was named as the defendant in a lawsuit filed by a former institutional client in late August 2011. The complaint alleges breach of contract and breach of fiduciary duty arising from investments in the former client's account allegedly being inconsistent with the account's objectives, and seeks damages in excess of \$90,000. Legg Mason believes that the claims are without merit and intends to defend the matter vigorously. Discovery in the case is ongoing, and a pretrial conference is currently scheduled for April 2013. Because of the preliminary status of the matter, Legg Mason cannot estimate the possible loss or range of loss from this matter, if any. In addition, although Legg Mason believes that this matter would likely be covered by insurance policies that may substantially mitigate the amount of any eventual loss, as is not unusual with litigation at this point in the process, there can be no assurance that the action will not have a material effect on Legg Mason's financial position, results of operations or cash flows.

The ultimate resolution of other matters, described above as customer complaints, legal actions, inquiries, proceedings and investigations, cannot be currently determined. In the opinion of management and after consultation with legal counsel, due to the preliminary nature of these matters, Legg Mason is currently unable to estimate the amount or range of reasonably possible losses from these matters, and Legg Mason's financial condition, results of operations and cash flows could be materially affected during a period in which 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 action suits, and recoveries from indemnification, contribution or insurance reimbursement.

9. Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing Net Income (Loss) Attributable to Legg Mason, Inc. by the weighted-average number of shares outstanding. The calculation of weighted-average shares includes common shares, shares exchangeable into common stock and unvested restricted shares deemed to be participating securities. Diluted EPS is similar to basic EPS, but adjusts for the effect of potentially issuable common shares, except when inclusion is antidilutive. For periods where a net loss attributable to Legg Mason, Inc. is reported, the inclusion of potentially issuable common shares will decrease the net loss per share. Since this would be antidilutive, such shares are excluded from the calculation.

In May 2012, as part of a new capital plan, Legg Mason's Board of Directors authorized \$1,000,000 for additional purchases of Legg Mason common stock, as well as the acceleration of the repurchase of the remaining approximate \$155,000 of Legg Mason common stock previously authorized. The new capital plan authorizes using up to 65% of cash generated from future operations, beginning in fiscal 2013, to purchase shares of Legg Mason common stock.

During the three months ended June 30, 2012, Legg Mason purchased and retired 6,173 shares of its common stock for \$155,000 through open market purchases, which completes the repurchase of its common stock under the previous authorization. These repurchases reduced weighted-average shares outstanding by 2,158 shares for the three months ended June 30, 2012.

During the three months ended June 30, 2012 and 2011, Legg Mason issued 1,842 and 1,248 shares, respectively, of restricted

stock related to its annual incentive awards, of which 931 and 631 shares are included in weighted-average shares outstanding for the three months ended June 30, 2012 and 2011, respectively.

In June 2011, Legg Mason issued 1,830 shares of common stock upon the exercise of purchase contracts on the remaining Equity Units issued in May 2008. As the exercise occurred on June 30, 2011, the number of shares included in weighted-average shares outstanding is immaterial for the three months ended June 30, 2011.

The following table presents the computations of basic and diluted EPS:

	Three Months Ended June 30,			
	2012	2011	2011	
	Basic	Diluted ⁽¹⁾	Basic	Diluted
Weighted-average basic shares outstanding	138,720	138,720	149,210	149,210
Potential common shares:				
Employee stock options	—	—	—	137
Weighted-average diluted shares	138,720	138,720	149,210	149,347
Net Income (Loss)	\$(12,984)	\$(12,984)	\$61,698	\$61,698
Less: Net income (loss) attributable to noncontrolling interests	(3,526)	(3,526)	1,746	1,746
Net Income (Loss) Attributable to Legg Mason, Inc.	\$(9,458)	\$(9,458)	\$59,952	\$59,952
Net Income (Loss) per Share Attributable to Legg Mason, Inc. Common Shareholders	\$(0.07)	\$(0.07)	\$0.40	\$0.40

(1) Diluted shares are the same as basic shares for periods with a net loss.

The diluted EPS calculation for the three months ended June 30, 2012, excludes 5,823 potential common shares that are antidilutive due to the net loss for the period. Further, for the three months ended June 30, 2012, the 14,205 of Warrants issued in connection with the repurchase of the Notes, as discussed in Note 6, would be excluded from the calculation of dilutive EPS because the market price of Legg Mason common stock did not exceed the exercise price, and therefore the Warrants would be deemed antidilutive.

The diluted EPS calculation for the three months ended June 30, 2011, excludes any potential common shares issuable under the Notes, because the market price of Legg Mason common stock had not exceeded the price at which conversion would be dilutive using the treasury stock method. Also, for the three months ended June 30, 2011, warrants issued in connection with the convertible note hedge transactions associated with the issuance of the 2.5% Convertible Senior Notes are excluded from the calculation of diluted earnings per share because the effect would be antidilutive.

Options to purchase 4,659 shares for the three months ended June 30, 2011, were not included in the computation of diluted earnings per share because the presumed proceeds from exercising such options, including related income tax benefits, exceed the average price of the common shares for the period and therefore the options are deemed antidilutive.

10. Derivatives and Hedging

The disclosures below detail Legg Mason's derivatives and hedging excluding the derivatives and hedging of CIVs. See Note 12, Variable Interest Entities and Consolidation of Investment Vehicles, for information related to the derivatives and hedging of CIVs.

Legg Mason uses currency forwards to economically hedge the risk of movements in exchange rates, primarily between the U.S. dollar, euro, Japanese yen, Singapore dollar, Brazilian real, and British pound. In the Consolidated

Balance Sheets, Legg Mason nets the fair value of certain foreign currency forwards executed with the same counterparty where Legg Mason has both the legal right and intent to settle the contracts on a net basis. Legg Mason has not designated any derivatives as hedging instruments during the periods ended June 30, 2012, March 31, 2012 and June 30, 2011.

Legg Mason also uses market hedges on certain seed capital investments by entering into futures contracts to sell index funds that benchmark the hedged seed capital investments. Open futures contracts required cash collateral of \$2,327 and \$1,919 as of June 30, 2012 and March 31, 2012, respectively.

The following table presents the fair values as of June 30, 2012 and March 31, 2012, of derivative instruments not designated as hedging instruments for accounting purposes, classified as Other assets and Other liabilities:

	June 30, 2012		March 31, 2012	
	Assets	Liabilities	Assets	Liabilities
Currency forward contracts	\$ 1,125	\$276	\$38	\$685
Futures contracts	4	486	46	201
Total	\$ 1,129	\$762	\$84	\$886

The following table presents gains (losses) recognized on derivative instruments for the three months ended June 30, 2012 and 2011:

Income Statement Classification	Three months ended June 30,			
	2012		2011	
	Gains	Losses	Gains	Losses
Currency forward contracts for: Operating activities				