

LEGG MASON, INC.  
BOARD OF DIRECTORS  
COMPENSATION COMMITTEE

CHARTER

I. PURPOSE

The Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Legg Mason, Inc. (the "Company") shall determine the compensation of the Company's most highly compensated executive officers; issue an annual report on executive compensation for inclusion in the Company's proxy statements; supervise the Company's equity incentive plans and the Company's employee stock purchase plan; and recommend to the Board incentive compensation plans and equity based plans and compensation for non-employee directors.

II. MEMBERSHIP

The Committee shall consist of at least three directors and shall be composed solely of "independent" directors. The Corporate Governance & Nominating Committee of the Board shall nominate directors to serve as the Chairman and members of the Committee and the Board shall appoint the Chairman and members of the Committee.

The "independence" of Committee members shall be determined by the Board in accordance with the Federal securities laws, rules and regulations of the Securities and Exchange Commission, listing standards of the New York Stock Exchange, Inc. and standards adopted by the Board

III. DUTIES & RESPONSIBILITIES

The Committee shall:

- Review and approve corporate goals and objectives relevant to the compensation of the Company's Chief Executive Officer ("CEO") compensation; evaluate the CEO's performance based on that evaluation in light of those goals and objectives and determine the CEO's compensation, subject to approval by the "independent" directors;
- Review and, if satisfactory, approve the CEO's recommendations for the amount and components of compensation to be paid to the Company's

executive officers who participate in the Company's Executive Incentive Compensation Plan;

- Administer the Company's Executive Incentive Compensation Plan and establish annually an award pool from which awards may be paid in accordance with the plan;
- Review and approve for inclusion in the Company's proxy statement the Committee's annual report on executive compensation;
- Review and recommend to the Board at least annually the compensation to be paid to the Company's directors;
- Make recommendations to the Board with respect to the Company's incentive compensation plans and equity based plans;
- Supervise the Company's Employee Stock Purchase Plan and Equity Incentive Plan;
- Regularly report on its activities to the Board;
- Review this Charter at least annually and recommend any proposed changes to the Board; and
- Conduct an annual self-evaluation of the performance of the Committee.

#### IV. ADMINISTRATION

##### (a) Meetings

The Committee shall normally meet quarterly in conjunction with the regularly scheduled meetings of the Board. The Chairman of the Committee may call special meetings of the Committee as circumstances warrant by providing written or telephonic notice to the other members of the Committee at least three (3) days prior to the date of the proposed special meeting. Members of the Committee may attend meetings telephonically when they are unable to attend the meetings in person. In lieu of a meeting, the Committee may act by unanimous written consent of all Committee members.

##### (b) Quorum

A majority of the members of the Committee shall constitute a quorum for the transaction of business at any meeting of the Committee. The action of a

majority of the Committee members present at a meeting at which a quorum is present shall constitute the action of the Committee.

(c) Retention of Experts

To assist the Committee in fulfilling its duties and responsibilities, the Committee shall have the authority, in its sole discretion, to retain compensation consultants, legal counsel and other advisers, to negotiate and approve the fees and other engagement terms of such experts, and to direct the payment of fees to such experts.

(d) Tenure

The Chairman and each member of the Committee shall be appointed by and serve at the pleasure of the Board and may be removed at any time and for any reason by majority vote of the Board members present at a meeting at which a quorum is present.

Adopted by the Board on 4/20/04