LEGG MASON INC
Form 424B3
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The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 6, 2008

PRELIMINARY PROSPECTUS SUPPLEMENT
(To Prospectus dated May 6, 2008)

20,000,000 Equity Units
(Initially Consisting of 20,000,000 Corporate Units)
Legg Mason, Inc.

The Equity Units will each have a stated amount of $50 and will initially be in the form of Corporate Units, each of which consists of a purchase contract issued by us and, initially, a 1/20, or 5%, undivided beneficial ownership interest in $1,000 principal amount of our senior notes due June 30, 2021, which we refer to as the "notes."

The purchase contract will obligate you to purchase from us, no later than June 30, 2011, for a price of $50 in cash, the following number of shares of our common stock, subject to anti-dilution adjustments:

- if the "applicable market value" of our common stock, which is the average closing price of our common stock over the 20-trading day period ending on the third trading day prior to June 30, 2011, equals or exceeds $, shares of our common stock;

- if the applicable market value is less than $ but greater than $, a number of shares of our common stock having a value, based on the applicable market value, equal to $50; and

- if the applicable market value is less than or equal to $, shares of our common stock.

The notes will initially bear interest at a rate of % per year, payable, initially, quarterly. The notes will be remarketed as described in this prospectus supplement. Following a successful remarketing, the interest rate on the notes will be reset and interest may become payable semi-annually if we so elect. In addition, following a successful remarketing, we may modify certain terms of the notes as described in this prospectus supplement.

We will also pay you quarterly contract adjustment payments at a rate of % per year of the stated amount of $50 per Equity Unit, or $ per year, subject to our right to defer contract adjustment payments, as described in this prospectus supplement.

You can create Treasury Units from Corporate Units by substituting Treasury securities for the notes, and you can recreate Corporate Units by substituting notes for the Treasury securities comprising a part of the Treasury Units.

Your ownership interest in a note or, if substituted for it, the Treasury securities or the applicable ownership interest in the Treasury portfolio, as the case may be, will be pledged to us to secure your obligation under the related purchase contract.

If there is a successful remarketing on or prior to the ninth business day immediately preceding June 30, 2011, the notes comprising a part of the Corporate Units will be replaced by the Treasury portfolio described in this prospectus supplement.

We will apply to list the Corporate Units on the New York Stock Exchange, and we expect trading on the New York Stock Exchange to begin within 30 days of the initial issuance of the Corporate Units. Our common stock is traded on the New York Stock Exchange under the symbol "LM." The last reported sale price of our common stock on May , 2008 was $ per share.

Investing in the Equity Units involves risks. See "Risk Factors" starting on page S-23.

	Per Corporate Unit	Total
Public offering price	$ 50.00	$ 1,000,000,000
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to Legg Mason	$	$

The underwriters may also purchase up to an additional 3,000,000 Corporate Units at the public offering price less the underwriting discounts and commissions within a 13-day period beginning on (and including) the initial date of issuance of the Corporate Units in order to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Corporate Units will be ready for delivery in book-entry form only through The Depository Trust Company on or about , 2008.

Joint Book-Running Managers

Citi **Merrill Lynch & Co.** **Goldman, Sachs & Co.** **JPMorgan**

Global Coordinators and Structuring Agents

The date of this prospectus supplement is , 2008.

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Prospectus Supplement

Prospectus

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus is accurate as of any date other than the respective date of the document in which the information is contained. Our business, financial condition, results of operations and prospects may have changed since those dates. The information contained in or incorporated by reference into this prospectus supplement updates and supplements and, to the extent inconsistent therewith, supersedes the information contained in the accompanying prospectus and any earlier filed document.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the securities we are offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into that prospectus. The second part, the accompanying prospectus, gives more general information about securities we may offer from time to time, including securities other than those that we are offering in this prospectus supplement. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on this prospectus supplement.

It is important for you to read and consider all of the information contained in this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents we have referred you to in "Incorporation by Reference" in this prospectus supplement and in "Where You Can Find More Information" in the accompanying prospectus. You should not assume that the information contained or incorporated by reference in this prospectus supplement or in the prospectus is accurate as of any date other than the date on the front of that document.

We include cross-references in this prospectus supplement and the accompanying prospectus to captions in those documents where you can find additional related discussions. The table of contents in this prospectus supplement provides the pages on which these captions are located.

You should not consider any information in this prospectus supplement or the prospectus to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding the purchase of Equity Units. We are not making any representation to you regarding the legality of an investment in the Equity Units by you under applicable investment or similar laws.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement to "Legg Mason," "we," "us," "our" or similar terms are to Legg Mason, Inc. and do not include our subsidiaries.

SUMMARY

The following information supplements, and should be read together with, the information contained in other parts of this prospectus supplement and in or incorporated by reference into the prospectus to which it relates. This summary highlights selected information from the prospectus supplement and the accompanying prospectus. You should also review "Risk Factors" to determine whether an investment in the Equity Units is appropriate for you.

Legg Mason, Inc.

Legg Mason is a global asset management company. Acting through our subsidiaries, we provide investment management and related services to institutional and individual clients, company-sponsored mutual funds and other investment vehicles. We offer these products and services directly and through various financial intermediaries. We divide our business into three divisions: Managed Investments; Institutional; and Wealth Management. Within each of our divisions, we provide our services through a number of asset managers, each of which is an individual business that generally markets its products and services under its own brand name.

Legg Mason, Inc. was incorporated in Maryland in 1981 to serve as a holding company for its brokerage and related subsidiaries. The predecessor companies to Legg Mason trace back to Legg & Co., a Maryland-based broker-dealer formed in 1899. Our subsequent growth has occurred primarily through internal expansion and the acquisition of asset management and broker-dealer firms. In December 2005, Legg Mason completed a transaction in which it sold its broker-dealer businesses to concentrate on the asset management industry.

Recent Developments

We recently reported our unaudited preliminary results for fiscal year 2008 and the fourth fiscal quarter, which ended March 31, 2008. For the full fiscal year 2008, Legg Mason achieved record annual revenues of $4.63 billion, up 7% from $4.34 billion in fiscal 2007. Net income for fiscal 2008 was $267.6 million, or $1.86 per diluted share, representing a decrease of 59% and 58%, respectively, from fiscal 2007 results. For the quarter ended March 31, 2008, revenues were $1.07 billion, down 6% from $1.14 billion in the fourth quarter of fiscal 2007. Legg Mason reported a net loss of $255.5 million, or $1.81 per diluted share, compared to net income of $172.5 million, or $1.19 per diluted share, in the fourth quarter of fiscal 2007.

The fourth quarter net loss resulted from two non-cash charges: (1) previously announced support for money market funds, totaling $291.0 million after tax and compensation related adjustments, or $2.06 per diluted share; and (2) a charge of $94.8 million after tax, or $0.66 per diluted share, for a reduction in the value of acquired management contracts held by a Wealth Management subsidiary since the time of its acquisition by Legg Mason.

Assets Under Management

Assets Under Management, which we refer to as AUM, at the end of fiscal 2008 were $950.1 billion, down 5% from $998.5 billion at December 31, 2007, and down 2% from $968.5 billion at the end of fiscal 2007.

AUM decreased primarily as a result of market depreciation of $28.5 billion in the fourth quarter and net client cash outflows of $19.2 billion. Equity outflows were $17 billion and fixed income outflows were $7 billion for the quarter, while liquidity inflows totaled $5 billion.

Average AUM during the quarter were $975 billion, compared to $1,014 billion in the third quarter of fiscal 2008 and $959 billion in the fourth quarter of fiscal 2007. At March 31, 2008, equity products represented 29% of AUM, fixed income represented 53% and liquidity represented 18%. By business division, 54% of total AUM were in Institutional, 40% in Managed Investments and 6% in Wealth Management. Assets managed for non-U.S. domiciled clients represented 34% of total AUM at March 31, 2008.

For the fiscal year 2008, total AUM declined by $18.4 billion, or 2%, from $968.5 billion at March 31, 2007.

Comparison to the Fourth Quarter of Fiscal Year 2007

Revenues decreased 6% from the prior year quarter, reflecting lower investment advisory fees as a result of reduced performance fees and year-over-year changes in the mix of equity and fixed income assets. Performance fees were $3.3 million, down from $37.5 million in the prior year quarter. Operating expenses increased by 7% from the prior year quarter, primarily due to the $151 million write-down of acquired management contracts. Other non-operating expenses were $530.5 million, driven by approximately $517.2 million of losses and other costs related to Legg Mason's money market fund support. For the quarter, we incurred a net loss of $255.5 million, or $1.81 per diluted share, down from net income of $172.5 million, or $1.19 per diluted share, in the fourth quarter of fiscal 2007. The diluted loss per share included a net charge of $2.06 for the support of the money market funds and a net charge of $0.66 for the write-down of management contracts.

The pre-tax profit margin decreased to (36.7%) from 24.0% in the fourth quarter of fiscal 2007.

Results for Fiscal Year 2008

Total revenues for fiscal 2008 were $4.63 billion, up 7% from the prior fiscal year, primarily driven by an increase in fund advisory fees of 15%. Performance fees decreased for the year by 7%, to $132.7 million. Net income was $267.6 million, down 59% from $646.8 million in fiscal 2007 primarily because of $759.3 million ($408.5 million net of compensation related adjustments and taxes) in non-cash charges resulting from money market fund support and the write-down of acquired asset management contracts discussed above. Earnings were $1.86 per diluted share, a decrease of 58% from $4.48 in fiscal 2007.

The pre-tax profit margin for fiscal 2008 was 9.6%, compared to 24.0% for fiscal 2007.

Comparison to the Third Quarter of Fiscal Year 2008

Revenues of $1.07 billion decreased 10% from $1.19 billion in the prior quarter ended December 31, 2007. There was a loss of $255.5 million in the quarter, compared to net income of $154.6 million in the prior quarter. The decline in net income was largely the result of the non-cash charges to support money market funds and to account for the write-down of management contracts.

The pre-tax profit margin was (36.7%) compared to 20.8% in the prior quarter.

Balance Sheet

At March 31, 2008, Legg Mason's cash position, including cash equivalents, repurchase agreements and cash restricted for collateral purposes, was $2.9 billion, total debt was $2.8 billion and stockholders' equity was $6.6 billion. The ratio of total debt to total capital (total equity plus total debt) was 29%.

Unaudited Financial Information

We have not completed our financial statements including footnotes for the three-month period and the year ended March 31, 2008. Additionally, our auditors have not completed their audit procedures for the year ended March 31, 2008 and there can be no assurance that our final results for the three-month period and the year ended March 31, 2008 will not differ materially from the amounts presented herein. In addition, these amounts should not be viewed as a substitute for full year audited financial statements prepared in accordance with generally accepted accounting principles.

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

	Three Months Ended			% Change	
	March 31, 2008	December 31, 2007	March 31, 2007	March 31, 2008 Compared to December 31, 2007	March 31, 2008 Compared to March 31, 2007
Operating Revenues:					
Investment advisory fees:					
Separate accounts	$ 341,797	$ 365,735	$ 376,311	(6.5)%	(9.2)%
Funds	558,382	593,375	542,696	(5.9)	2.9
Performance fees	3,258	50,848	37,514	(93.6)	(91.3)
Distribution and service fees	158,721	172,637	181,533	(8.1)	(12.6)
Other	6,965	4,049	3,743	72.0	86.1
Total operating revenues	1,069,123	1,186,644	1,141,797	(9.9)	(6.4)
Operating Expenses:					
Compensation and benefits	326,899	366,377	404,906	(10.8)	(19.3)
Distribution and servicing	304,674	326,698	317,863	(6.7)	(4.1)
Communications and technology	52,326	45,400	46,125	15.3	13.4
Occupancy	32,896	34,303	28,856	(4.1)	14.0
Amortization of intangible assets	13,686	14,155	16,714	(3.3)	(18.1)
Impairment of management contracts	151,000			*n/m*	*n/m*
Other	50,038	57,720	54,879	(13.3)	(8.8)
Total operating expenses	931,519	844,653	869,343	10.3	7.2
Operating Income	137,604	341,991	272,454	(59.8)	(49.5)
Other Income (Expense)					
Interest income	22,922	19,356	15,707	18.4	45.9
Interest expense	(28,073)	(20,837)	(18,107)	34.7	55.0
Other	(525,341)	(93,518)	4,241	461.8	*n/m*
Total other income (expense)	(530,492)	(94,999)	1,841	458.4	*n/m*
Income (Loss) from Operations before Income Tax Provision (Benefit) and Minority Interests	(392,888)	246,992	274,295	(259.1)	(243.2)
Income tax provision (benefit)	(137,488)	92,319	102,046	(248.9)	(234.7)
Income (Loss) from Operations before Minority Interests	(255,400)	154,673	172,249	(265.1)	(248.3)
Minority interests, net of tax	(51)	(91)	225	(44.0)	*n/m*
Net Income (Loss)	$ (255,451)	$ 154,582	$ 172,474	(265.3)	(248.1)

	Three Months Ended			% Change	
Net income (loss) per share:					
Basic	$ (1.81)	$ 1.09	$ 1.22	(266.1)%	(248.4)%
Diluted	$ (1.81)	$ 1.07	$ 1.19	(269.2)	(252.1)
Weighted average number of shares outstanding:					
Basic	141,132	142,297	141,590		
Diluted	141,132(1)	144,018	144,549		

n/m not meaningful

(1) Basic shares outstanding used for diluted earnings per share calculation due to loss for period.

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

	Year Ended March 31, 2008	2007	% Change
	(Unaudited)		
Operating Revenues:			
Investment advisory fees:			
Separate accounts	$ 1,464,512	$ 1,445,796	1.3%
Funds	2,319,788	2,023,140	14.7
Performance fees	132,740	142,245	(6.7)
Distribution and service fees	692,277	716,402	(3.4)
Other	24,769	16,092	53.9
Total operating revenues	4,634,086	4,343,675	6.7
Operating Expenses:			
Compensation and benefits	1,569,517	1,568,568	0.1
Distribution and servicing	1,273,986	1,196,019	6.5
Communications and technology	192,821	174,160	10.7
Occupancy	129,425	100,180	29.2
Amortization of intangible assets	57,271	68,410	(16.3)
Impairment of management contracts	151,000		*n/m*
Other	209,890	208,040	0.9
Total operating expenses	3,583,910	3,315,377	8.1
Operating Income	1,050,176	1,028,298	2.1
Other Income (Expense)			
Interest income	76,923	58,916	30.6
Interest expense	(82,681)	(71,474)	15.7
Other	(600,547)	28,114	*n/m*
Total other income (expense)			