LEGG MASON, INC.
Form 11-K
June 28, 2018

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 11-K

(Mark One):
[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017
OR

[X] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .
Commission file number 1-8529

The Legg Mason
Profit Sharing and 401(k) Plan
(Full title of the plan and the address of the plan, if different from that of the issuer named below)
Legg Mason, Inc.
100 International Drive
Baltimore, Maryland 21202
(Name of issuer of the securities held pursuant to the plan and the address of its principal executive office)

REQUIRED INFORMATION.

Item 4. Plan Financial Statements and Schedules prepared in accordance with the financial reporting requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the regulations promulgated thereunder.

THE LEGG MASON PROFIT SHARING AND 401(K) PLAN

Financial Statements
Together with Report of
Independent Registered Public Accounting Firm
As of December 31, 2017 and 2016 and
For the Year Ended December 31, 2017

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* The other supplemental schedules required by 29 CFR 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA have been omitted, as they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Retirement Plan Committee of
The Legg Mason Profit Sharing and 401(k) Plan

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of The Legg Mason Profit Sharing and 401(k) Plan (the Plan) as of December 31, 2017 and 2016, and the related statement of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of The Legg Mason Profit Sharing and 401(k) Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan’s management. Our responsibility is to express an opinion on the Plan’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the 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 amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Supplemental Information

The supplemental information contained in the schedule of assets (held at end of year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In

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our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ SC&H Attest Services, P.C.

We have served as the Plan's auditor since 2008.

Sparks, Maryland
June 28, 2018

THE LEGG MASON PROFIT SHARING
AND 401(K) PLAN

Statements of Net Assets Available for Benefits

	As of December 31,	
	2017	2016
Assets		
Investments, at fair value:		
Interest bearing cash	$355,173	$12,218
Participant-directed investments	470,542,401	404,618,742
Total Investments, at fair value	470,897,574	404,630,960
Receivables		
Company contributions receivable	8,490,638	7,680,957
Notes receivable from participants	3,033,441	3,224,987
Other	598	49
Total Receivables	11,524,677	10,905,993
Total Assets	482,422,251	415,536,953
Liabilities	—	—
Net Assets Available for Benefits	$482,422,251	$415,536,953

The accompanying notes are an integral part of these financial statements.

THE LEGG MASON PROFIT SHARING
AND 401(K) PLAN

Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31, 2017

Changes in Net Assets Available for Benefits Attributable to:	
Contributions	
Company	$14,987,109
Participants	14,201,841
Rollovers	820,090
Total Contributions	30,009,040
Investment income	
Interest and dividend income	9,659,611
Net appreciation in fair value of investments	61,218,117
Total Investment Income	70,877,728
Interest Income on Notes Receivable from Participants	138,371
Benefits Paid to Participants	(34,028,340)
Administrative Expenses	(111,501)
Net Increase in Net Assets Available for Benefits	66,885,298
Net Assets Available for Benefits:	
Beginning of the Year	415,536,953
End of the Year	$482,422,251

The accompanying notes are an integral part of this financial statement.

THE LEGG MASON PROFIT SHARING
AND 401(K) PLAN

Notes to the Financial Statements
As of December 31, 2017 and 2016 and
For the Year Ended December 31, 2017

1. DESCRIPTION OF THE PLAN

The following description of The Legg Mason Profit Sharing and 401(k) Plan ("the Plan") provides only general information. Participants should refer to the Plan agreement for a complete description of the Plan's provisions.

General

The Plan, which was established on December 30, 1960, is a multiple-employer defined contribution plan covering substantially all employees of Legg Mason & Co., LLC ("LM & Co."), a wholly owned subsidiary of Legg Mason, Inc., and affiliated participating companies (collectively "the Company") with the exception of leased and temporary employees. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") and was most recently amended by the fourth and fifth amendments to the Plan.

The most significant changes incorporated by the fourth and fifth amendments and their respective effective dates are as follows:

- Effective January 1, 2017, participants are eligible to participate in the portion of the Plan relating to discretionary Company profit sharing contributions on their first day of employment.
- Effective October 16, 2017, participants are permitted to make after tax contributions to the Plan.
- Effective October 16, 2017, former employee participants who have an account are permitted to make rollover contributions to the Plan.
- Effective October 16, 2017, participants are permitted to make partial withdrawals from the Plan.

An employee becomes eligible to participate in the Plan on his or her date of hire. Participants are immediately eligible to participate in the portion of the Plan that relates to voluntary participant contributions, Company matching contributions, and Company discretionary contributions. Participants may only receive Company profit sharing contributions if they were employed on the last day of the Plan year, or have retired, died, or become disabled during the Plan year.

Affiliated companies of the Plan are as follows:

QS Investors, LLC
ClearBridge, LLC
ClearBridge Investments, LLC
Legg Mason Private Portfolio Group, LLC
Martin Currie, Inc.
Financial Guard, LLC

Participant Contributions

Contributions by employees are voluntary and may be composed of all or any of the following:

A. A rollover of accumulated deductible employee contributions as contemplated by Section 408(d)(3) of the Internal Revenue Code ("the Code").

B. A voluntary pre- and post-tax compensation deferral whereby the participant may elect to defer, in the form of contributions to the Plan on the participant's behalf, compensation that would otherwise have been paid to the participant during the Plan year. This compensation deferral, if elected, cannot be less than 1% and not more than 100% of the compensation that would otherwise have been paid to the participant during the Plan year. Participant contributions may not exceed the maximum allowable contribution under the Code. The maximum allowable contribution totaled $18,000 for the year ended December 31, 2017. Participants who have attained age 50 before the end of the Plan year may make additional catch-up contributions, subject to limitations imposed by the Code.

Company Contributions

The Company may make a discretionary matching contribution with each company pay period to all eligible employees. During 2017, the Company made a 100% match on the first 3% of eligible compensation and a 50% match on the next 3% of eligible compensation up to a maximum annual match of $10,000 per participant. Company matching contributions for 2017 totaled $7,382,016. The match is contributed on a per payroll basis, however, also allows for a true-up provision at the end of the Plan year whereby participants who have elected to change their deferral percentages throughout the year may not be maximizing the Company match. Employees must be employed at year end to receive the true-up contributions unless employment terminated during the Plan year by reason of retirement, disability, or death. The true-up provision allows the Company to make up for any match that may not have been realized as a result of the participants' actions with their deferral rates during the Plan year.

Additionally, the Company, upon approval of the Board of Managers, may make discretionary profit sharing contributions to the Plan. Employees must be employed at year end to receive the profit sharing contributions unless employment terminated during the Plan year by reason of retirement, disability, or death. The Company approved a discretionary profit sharing contribution for 2017 of $7,655,276, which was reduced by $50,183 of forfeitures.

The discretionary profit sharing contributions and a portion of the Company matching contributions were remitted to the Plan subsequent to December 31, 2017 and 2016, and accordingly, are included as Company contributions receivable in the accompanying statements of net assets available for benefits as of December 31, 2017 and 2016.

Transfers

Occasionally employees relocate between LM & Co. and its affiliated entities that do not participate in the Plan, resulting in a transfer of that employee's related assets to or from the Plan. There were no transfers in or out of the plan during the December 31, 2017 fiscal period.

Participant Accounts

Each participant's account is participant-directed, or self-directed, and credited with the participant's contributions and an allocation of (a) the Company's contributions, (b) Plan earnings/losses, and (c) any expenses paid by the Plan. Allocations are based on participant earnings or account balances, as defined by the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account balance.

Upon enrollment in the Plan, a participant may direct his/her account balance into any of the investment options listed on the schedule of assets (held at end of year), including the option to self-direct such assets. Subject to certain limitations by the funds, participants may change their investment options and transfer amounts between investment options daily.

Vesting

Participants are immediately vested in deferral contributions, rollover contributions, and income earned thereon. Participants are also immediately vested in the Company’s discretionary matching contributions. Vesting in the Company’s discretionary profit sharing contributions is based on years of continuous service as presented in the following chart:

Years of Service	Percentage Vested
Less than 2	0%
2	25%
3	50%
4	75%
5	100%

A participant’s account becomes 100% vested in discretionary profit sharing contributions, regardless of years of service, at age 62 or in the event of permanent disability, death, or by reason of, and as part of, a partial or full Plan termination.

Forfeitures

Terminating participants of the Plan are paid the current value of the vested balance in their Plan account as soon as administratively feasible, at which point unvested amounts are forfeited. Forfeitures can be used to pay Plan expenses or to offset the expense of Company contributions in the year in which they are forfeited. Unallocated forfeitures totaled $50,183 and $54,916 as of December 31, 2017 and December 31, 2016, respectively, and were used to offset the expense of the discretionary Company contributions in each respective year.

Payment of Benefits

Benefit payments are available to participants upon termination of employment, retirement, death, or disability. In addition, the Plan allows for certain in-service withdrawals. Benefit payments from Company contribution accounts are available to actively employed participants after 60 months of participation in the Plan, and benefit payments from compensation deferral accounts are available after attainment of age 59 ½. Participants are entitled to a benefit equal to the vested portion of their account which will be distributed in the form of a lump sum payment unless the participant elects another option, as provided by the Plan. Upon proof, to the satisfaction of the Plan administrator, of an immediate and heavy financial need, amounts contributed by the participant may be withdrawn for a hardship purpose. Distributions are subject to the applicable provisions of the Plan agreement. Certain income taxes and penalties may apply to withdrawals or distributions prior to age 59 ½. Net assets of the Plan allocated to the accounts of participants who had elected to withdraw from the Plan that had not received such distributions as of December 31, 2017 and 2016 totaled $330,156 and $12,243, respectively.

Notes Receivable from Participants

Participants may borrow up to 50% of their vested account balance, in amounts of at least $1,000 but not more than $50,000, less the highest outstanding note balance during the preceding twelve months. Three notes may be outstanding at any given time. The notes are collateralized by the vested balance in the participant's account. Notes for any purpose other than the purchase of a primary residence must be repaid within 5 years. Notes accrue interest at a rate commensurate with prevailing market rates on the date of issuance, as determined by the Plan. The Company has the authority to deny participant notes to any director or executive officer to the extent necessary to conform to the Sarbanes Oxley Act of 2002. The Company has the right to discontinue the policy of extending notes to participants; however, it may not affect the terms or provisions of any notes outstanding at that time.

Plan Expenses

Administrative and operational expenses of the Plan are to be paid by the Trustee with Plan assets unless the Company elects to pay them. For the year ended December 31, 2017, the majority of expenses of the Plan were paid with Plan Assets of which $66,093 were paid by the funds' revenue sharing arrangements with Merrill Lynch through an allocation of the Plan's ERISA Account/Budget. ERISA accounts represent a compromise made by Plan sponsors that do not want to pay Plan expenses themselves, but still want to ensure the participant fees are reasonable. Effective October 1, 2016, the revenue sharing arrangement changed. Revenue sharing generated after October 1, 2016 is now allocated to participants on a monthly basis. All revenue sharing generated after October 1, 2016 is automatically allocated to participant accounts monthly and is no longer used to pay Plan expenses. Due to the changes, Plan expenses will be paid by the Company, and will no longer be paid using revenue sharing. Revenue sharing generated prior to October 1, 2016 was used to pay plan expenses. Such expenses are often indirect compensation in nature and are captured as a component of net appreciation in fair value of investments in the accompanying statement of changes in net assets available for benefits. Loan and distribution fees are paid by the Plan and its participants. Investment related expenses are included in net appreciation in fair value of investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from Plan assets during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan provides for investments in financial instruments that are exposed to risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities may occur in the near term and that such changes could materially affect the amounts reported in the statements of net assets available for benefits.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Fair Value Measurements

ASC 820, Fair Value Measurement, defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Interests in registered investment companies: Valued at the closing price reported in the active market in which the funds are traded.

Interests in collective investment trusts: Valued at the net asset value ("NAV"), as a practical expedient, calculated on a daily basis by the administrator of the trusts.

Interest bearing cash and money market deposit: Valued at amortized cost plus accrued interest, which approximates fair value.

Common stock: Valued at unadjusted quoted market share price within an active market.

Participant self-directed assets: Valued at the closing price of shares held by the Plan at year-end. Individual holdings within the accounts including exchange traded funds and mutual funds, are traded on an active market.

Unitized fund: Valued at fair value based on the unit value of the fund. Unit value is determined by the institution sponsoring such fund by dividing the fund's net assets at fair value by its units outstanding at the valuation dates.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2017 and 2016.

The following tables set forth by level, within the fair value hierarchy, the Plan’s investments at fair value as of December 31, 2017 and 2016:

	Level 1	Level 2	Level 3	Investments measured at NAV	Total
Interest bearing cash	$ 355,173	$ —	$ —	$ —	$ 355,173
Interests in registered investment companies	205,538,921	—	—		