

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549



03025822

FORM 11-K



(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED].

For the fiscal year ended December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED].

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

**PROCESSED**  
JUL 02 2003  
THOMSON FINANCIAL

Commission file number 1-8529

The Legg Mason  
Profit Sharing and 401(k) Plan and Trust  
(Full title of the plan and the address of the plan,  
if different from that of the issuer named below)

Legg Mason, Inc.  
100 Light Street  
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, and the regulations promulgated thereunder.

# **The Legg Mason Profit Sharing and 401(k) Plan and Trust**

**Financial Statements  
December 31, 2002 and 2001**

**The Legg Mason Profit Sharing and 401(k) Plan and Trust**  
**Contents**  
**December 31, 2002 and 2001**

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\* The other schedules required by Section 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.

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**Report of Independent Accountants**

To the Trustees of The Legg Mason Profit Sharing and 401(k) Plan and Trust

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Legg Mason Profit Sharing and 401(k) Plan and Trust (the "Plan") at December 31, 2002 and 2001, and the changes in net assets available for benefits for the year ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule listed in the index to the financial statements is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

Baltimore, Maryland  
June 6, 2003

**The Legg Mason Profit Sharing and 401(k) Plan and Trust**  
**Statements of Net Assets Available for Plan Benefits**  
**December 31, 2002 and 2001**

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<b>Assets</b>	<b>2002</b>	<b>2001</b>
Cash	\$ 614,623	\$ 527,682
Investments, at fair value	413,938,081	423,829,657
Contributions receivable		
Employer	23,376,322	21,588,248
Employee	<u>2,005,570</u>	<u>1,805,942</u>
<b>Net assets available for benefits</b>	<b><u>\$439,934,596</u></b>	<b><u>\$447,751,529</u></b>

See accompanying notes to the financial statements.

**The Legg Mason Profit Sharing and 401(k) Plan and Trust**  
**Statement of Changes in Net Assets Available for Plan Benefits**  
**Year Ended December 31, 2002**

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<b>Additions</b>	
Contributions	
Employer	\$ 23,361,542
Employee	24,761,082
	<u>48,122,624</u>
Interest and dividend income	6,268,878
Total additions	<u>54,391,502</u>
<b>Deductions</b>	
Benefits paid to participants	16,142,292
Net depreciation in fair value of investments (see Note 4)	63,479,096
Total deductions	<u>79,621,388</u>
Net decrease	(25,229,886)
Transfer in of Western Asset Management plan assets (see Note 1)	17,412,953
<b>Net assets available for benefits</b>	
Beginning of year	<u>447,751,529</u>
End of year	<u>\$ 439,934,596</u>

See accompanying notes to the financial statements.

# The Legg Mason Profit Sharing and 401(k) Plan and Trust

## Notes to Financial Statements

### December 31, 2002 and 2001

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#### 1. Description of Plan

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

##### **General**

The Plan is a defined contribution plan which covers substantially all employees of Legg Mason Wood Walker, Incorporated, ("LMWW"), and affiliated participating companies (the "Company") and is subject to the provisions of the Employee Retirement Income Security Act ("ERISA"). An employee becomes eligible to participate in the Plan on their date of hire. A participant shares in employer contributions and forfeitures by completing 1,000 hours of service, as defined by the Plan, in a Plan year and being employed on the last day of the Plan year. A participant shares in the Company's matching contribution if employed on the last day of the Plan year.

##### **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.
- B. A voluntary compensation deferral whereby the participant may elect to defer, in the form of Company 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% nor more than 15% of the compensation that would otherwise have been paid to the participant during the Plan year.

The Company will contribute a matching contribution to all eligible employees equal to 50% of the employee's contribution up to 6% of such employee's annual earnings up to a maximum of \$2,500 per employee annually. Additionally, the Company may make discretionary profit sharing contributions to the Plan.

##### **Participant Accounts**

Each participant's account is credited with the participant's contribution and an allocation of (a) the Company's contributions, (b) Plan earnings, and (c) forfeitures of terminated participants' non-vested accounts. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

# The Legg Mason Profit Sharing and 401(k) Plan and Trust

## Notes to Financial Statements

### December 31, 2002 and 2001

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#### **Vesting**

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

<b>Years of Service</b>	<b>Percentage Vested</b>
less than 2	0%
2	25%
3	50%
4	75%
5	100%

A participant's account becomes 100% vested in the profit sharing contribution, regardless of years of service, at age 65 or in the event of permanent disability or death.

#### **Payment of Benefits**

Upon an employee's withdrawal from the Plan or a break in service of more than five years, any non-vested portion of a participant's account is forfeited and is reallocated to participants' accounts in the same proportion as the Company's contribution to the Plan attributable to the Plan year in which the forfeitures occurred.

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.

Effective April 1, 2002, the plan assets of Western Asset Management ("WAM"), a subsidiary of the Company, merged into the Plan. WAM employees became eligible to participate in the Plan on April 1, 2002.

#### **Loans to Participants**

Participants are eligible to obtain loans from the Plan. Participants can borrow up to 50% of their vested account balance, but not more than \$50,000 less the highest outstanding loan balance during the preceding twelve months. Loan repayment periods range from one to five years. The Company has the right to discontinue the policy of extending loans to participants, however, it may not affect the terms or provisions of any loans outstanding at that time.

#### **Administrative Expenses**

The Company pays all of the administration and operations expenses of the Plan.

**The Legg Mason Profit Sharing and 401(k) Plan and Trust**  
**Notes to Financial Statements**  
**December 31, 2002 and 2001**

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**2. Significant Accounting Policies**

**A. Basis of Accounting**

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

**B. Investments Valuation and Income Recognition**

Plan investments are stated at fair value. Shares of registered investment companies are reported at their stated net asset value per share and shares of common stock are valued at quoted market prices. Unit values of the common stock fund are based on the quoted market price of common stock held by the fund, along with cash equivalents. Participant loans are valued at cost plus accrued interest, which approximates fair value. Purchases and sales of securities are reflected on a trade date basis.

Dividend income is recorded on the ex-dividend date. Dividends earned from mutual fund investments and the Legg Mason Common Stock Fund are reinvested into additional shares of those funds. Dividends earned from Legg Mason stock are reallocated to other funds based on current investment elections. Interest income is accrued as earned.

The Plan presents, in the statements of changes in net assets available for plan benefits, the net depreciation in the fair value of its investments, which consists of realized gains and losses, and the change in the unrealized appreciation or depreciation of those investments during the Plan Year.

**C. Contribution**

Employee contributions are recorded in the period during which the Company makes payroll deductions from the Plan participants' earnings. Company contributions are made annually and recorded in the period to which it relates.

**D. Payment of Benefits**

Benefits are recorded when paid.

**E. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 deduction from Plan assets during the reporting period. Actual results could differ from those estimates.

**F. Risks and Uncertainties**

The Plan provides for investment options in mutual funds. Investment securities held by mutual funds are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect participants' account balances and the amounts reported in the statements of net assets available for plan benefits.

**The Legg Mason Profit Sharing and 401(k) Plan and Trust**  
**Notes to Financial Statements**  
**December 31, 2002 and 2001**

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**3. Employer Contribution**

The Company approved discretionary contributions for 2002 and 2001 of \$17,249,262 and \$15,923,513, respectively. The Company made matching contributions aggregating \$6,127,060 in 2002 and \$5,664,735 in 2001. These Company contributions were transferred to the Plan subsequent to December 31 of each year, and accordingly, are included in contributions receivable in the financial statements.

**4. Investments**

The following presents investments that represent five percent or more of the Plan's net assets as of December 31 of the respective year.

	2002	2001
Legg Mason Special Investment Trust, Institutional Class, 2,233,981 and 2,105,590 shares, respectively	\$ 73,229,897	\$ 77,464,668
Legg Mason Cash Reserve Trust, 35,222,455 and 28,348,413 shares, respectively	35,222,455	28,348,413
Legg Mason Value Trust, Institutional Class, 3,156,993 and 3,162,680 shares, respectively	136,918,786	167,400,656
Legg Mason Opportunity Trust, Institutional Class, 3,453,560 and 2,814,943 shares, respectively	28,353,727	27,530,142
Templeton World, Class 1, 1,470,001 and 1,443,051 shares, respectively	18,948,313	21,443,732

During 2002, the Plan's investments (including gains and losses on investments bought and sold as well as held during the year) depreciated in value as follows:

Mutual funds	\$ (62,771,864)
Common stock investments	(707,232)
	<u>\$ (63,479,096)</u>

**5. Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become fully vested in their accounts.

**6. Income Tax Status**

The Internal Revenue Service has determined and informed the Company by a letter dated June 27, 2001, that the Plan and related trust are designed in accordance with applicable sections of the Internal Revenue Code ("IRC"). Although the Plan has been amended since receiving the determination letter, the Plan administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

**The Legg Mason Profit Sharing and 401(k) Plan and Trust**  
**Notes to Financial Statements**  
**December 31, 2002 and 2001**

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**7. Forfeitures**

Terminating members of the Plan are paid the current value of the vested balance in their plan account as soon as administratively feasible. Unvested amounts are forfeited and reallocated to continuing participants. For the years ended December 31, 2002 and 2001, forfeitures were \$555,031 and \$1,219,341, respectively. There were no forfeitures outstanding at December 31, 2002 and 2001.

**8. Other Matters**

The Plan invests in shares of Legg Mason, Inc. common stock which qualifies as a party-in-interest transaction, through two plan alternatives, one of which is a unitized fund consisting primarily of shares of the common stock of Legg Mason, Inc. The other consists of common stock transferred in from an old plan.

Cash balances maintained by the Plan and the Legg Mason, Inc. common stock directly owned by the Plan are held by LMWW in interest bearing investment accounts. The shares of common stock held by the unitized Legg Mason Common Stock Fund are held by a third party custodian.

LMWW serves as distributor for the Legg Mason Funds held by the Plan. Additionally, certain affiliated participating and non-participating companies act as manager or investment advisor for the Legg Mason Funds. The Legg Mason Funds in the Plan qualify as a party-in-interest.

**SUPPLEMENTAL SCHEDULE**

**The Legg Mason Profit Sharing and 401(k) Plan and Trust**  
**Schedule of Assets (Held at End of Year)**  
**December 31, 2002**

Identity of Issue, Borrower, Lessor, or Similar Party	No. of shares	Fair Value
Legg Mason Value Trust, Institutional Class*	3,156,993	\$ 136,918,786
Legg Mason Special Investment Trust, Institutional Class*	2,233,981	73,229,897
Legg Mason Cash Reserve Trust*	35,222,455	35,222,455
Legg Mason American Leading Companies, Institutional Class*	544,536	8,407,636
Legg Mason U.S. Gov't Intermediate-Term Portfolio, Institutional Class*	710,511	7,602,481
Legg Mason Europe Fund - Institutional Class*	25,734	259,913
Legg Mason High Yield Portfolio, Institutional Class*	293,351	2,335,068
Legg Mason International Equity Trust, Institutional Class*	16,247	134,362
Legg Mason Investment Grade Income Portfolio, Institutional Class*	187,678	1,957,480
Legg Mason Opportunity Trust, Institutional Class*	3,453,560	28,353,727
Legg Mason U.S. Small Cap Value Trust, Institutional Class*	525,229	5,367,834
Templeton World, Class 1	1,470,001	18,948,313
MFS Research, Class A	287,251	4,061,729
Franklin Small Cap Growth, Class 1	361,446	7,934,428
EuroPacific Growth	514,688	11,823,535
AIM Global Growth Fund	41,359	513,674
Alliance Premier Growth Fund Class A	146,361	2,011,122
Washington Mutual Investors Class A	381,550	8,970,315
Eaton Vance Income of Boston	533,534	2,913,328
Scudder Technology Class A	253,021	1,892,655
PIMCO Foreign Bond	89,464	946,529
PIMCO Total Return	325,013	3,467,911
SSGA S&P 500 Index	394,876	5,729,653
T. Rowe Price Small Cap Stock	265,647	5,711,395
Western Asset Core, Institutional Class*	484,384	5,507,440
Legg Mason Common Stock*	171,218	8,310,922
Legg Mason Common Stock Fund*	1,091,832	17,218,191
Participant loans, maturity dates range from 2003 to 2028, interest rates range from 5.25 to 10.50%		8,187,302
Total investments		<u>\$413,938,081</u>

\* Denotes a party-in-interest as defined by ERISA.

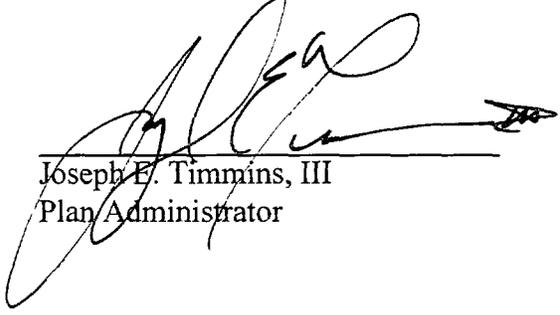
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the plan administrator, who administers the employee benefit plan, has duly caused this annual report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: June 27, 2003

THE LEGG MASON PROFIT SHARING AND  
401(k) PLAN AND TRUST

By:



\_\_\_\_\_

Joseph E. Timmins, III  
Plan Administrator

EXHIBIT INDEX

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23.1	Consent of Independent Accountants	17

CONSENT OF INDEPENDENT ACCOUNTANTS

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We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-66891) of Legg Mason, Inc. of our report dated June 6, 2003 relating to the financial statements of the Legg Mason, Inc. Profit Sharing and 401(k) Plan and Trust, which appears in this Form 11-K.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Baltimore, Maryland  
June 25, 2003