



ClearBridge, LLC
Advisory Brochure

June 28, 2016

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This brochure provides information about the qualifications and business practices of ClearBridge, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 805-2000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about ClearBridge, LLC is available on the SEC's website at www.adviserinfo.sec.gov. Investment adviser registration does not imply a certain level of skill or training.

Statement of Material Change

No material changes have been made to this brochure since the last annual update dated June 29, 2015. While there are no material changes to report, the following updates have been made to the brochure:

- Item 5 has been updated to reflect our current fees for our principal products.
- Item 10 has been updated to reflect an additional Related Person
- Item 17 has been updated to disclose our position on legal proceedings relating to portfolio securities

Item 3

Table of Contents

Item 1	Cover Page	1
Item 2	Statement of Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	4
Item 6	Performance-based fees and Side-by-Side Management	6
Item 7	Types of Clients	7
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9	Disciplinary Information	9
Item 10	Other Financial Industry Activities and Affiliations	9
Item 11	Code of Ethics, Participation in Client Transactions and Personal Trading	10
Item 12	Brokerage Practices	11
Item 13	Review of Accounts	14
Item 14	Client Referrals and Other Compensation	15
Item 15	Custody	16
Item 16	Investment Discretion	16
Item 17	Voting Client Securities	17
Item 18	Other Financial Information	17
Appendix A		18

Item 4

Advisory Business

Our Firm

ClearBridge, LLC (the "Firm")¹ and its predecessors have been providing discretionary investment management services to clients since 1982. ClearBridge, LLC is a wholly owned subsidiary of Legg Mason, Inc., a publicly traded company (NYSE: LM). As of March 31, 2016, ClearBridge, LLC managed approximately \$5.2 billion in assets on a discretionary basis.

ClearBridge, LLC offers its investment mandates to a global-client base. Each strategy adheres firmly to ClearBridge, LLC's value-driven, research intensive investment process. By adhering to a consistent, value-driven process, ClearBridge, LLC strives to outperform its benchmarks over the long-term. ClearBridge, LLC seeks to provide its client accounts with long-term capital appreciation by actively selecting securities that the Firm believes are trading at a discount to intrinsic value.

ClearBridge, LLC's investment management services are typically provided on a fully discretionary basis; however, clients may impose reasonable restrictions on their accounts (for example, limits on the percentage invested in a particular security; limits on industry concentration; or prohibitions against investments in particular securities). In most circumstances, ClearBridge, LLC will accommodate client restrictions provided they do not interfere materially with ClearBridge, LLC's portfolio construction process.

In the second quarter 2013, the Firm integrated its business operations with those of its affiliate, ClearBridge Investments, LLC ("ClearBridge"). As part of the integration, ClearBridge's senior management assumed leadership positions at the Firm, including those of Chief Executive Officer, co-Chief Investment Officers, Chief Financial Officer, General Counsel and Chief Compliance Officer. ClearBridge employees, as dual hatted employees of the Firm, provide support to ClearBridge, LLC in the following areas: trading, operations, technology, legal, compliance, finance, risk management, human resources, client services, marketing, institutional sales and consultant relations. To facilitate the relationship, all the Firm's employees are also dual-hatted into ClearBridge and all of ClearBridge, LLC's compliance policies were changed to those of ClearBridge.

Item 5

Fees and Compensation

Fees – How and When Clients Are Billed

Fees are typically billed to clients on a quarterly basis and they are payable in arrears based upon the value of the assets in the account on the last trading day of the calendar quarter. If the investment management agreement between the Firm and the client is terminated, the client will be responsible for paying a pro-rated fee for the quarter in which the account was terminated. Clients may agree to pay by having their accounts debited by their custodian or by separate invoice. ClearBridge, LLC does not require clients to pay fees in advance; however some clients have chosen to do so. If an agreement with a client that pays fees in advance is terminated, the Firm will refund a proportionate part of any prepaid fee.

¹ Until February 14, 2014, ClearBridge, LLC was known as Legg Mason Capital Management LLC.

What's Not Included in Our Fee

ClearBridge, LLC's standard investment management fees are generally based on a percentage of assets under management and are for the provision of investment advisory services and do not include other fees a client may incur, such as brokerage commissions and mark-ups and mark-downs (see Item 12 for a discussion of our brokerage practices), transfer fees, exchange or similar fees (such as for ADRs), custody and fees charged by other service providers, such as consultants.

Fees for Fund Management

For fees charged by registered investment companies advised or subadvised by ClearBridge, LLC, please see the appropriate fund prospectus. ClearBridge, LLC also manages funds that are not registered under the U.S. securities laws.

Institutional Account Fee Schedule

Each of the institutional strategies listed below has a \$5 million minimum account size which may be waived under certain circumstances.

Strategy	Account Asset Value	Annual Fee
Value Equity	First \$25 million	0.65%
	Next \$25 million	0.55%
	Next \$50 million	0.45%
	Above \$100 million	0.40%
Small Cap	First \$25 million	0.85%
	Next \$25 million	0.80%
	Next \$50 million	0.75%
	Above \$100 million	0.65%

Alternative Fee Arrangements

ClearBridge, LLC may, in its discretion, be willing to consider and negotiate fee arrangements that are not based on a percentage of assets under management (for example, performance fees or flat fees).

Item 6

Performance-Based Fees and Side by Side Management

Performance Based Fees and Conflicts of Interest

ClearBridge, LLC generally charges fees based on assets under management but may enter into arrangements that allow for it to receive fees that are based on a share of the capital gains or capital appreciation of the assets of an account. The terms of these agreements are negotiated between ClearBridge, LLC and the client, but in all events, such arrangements comply with the applicable provisions under the Investment Advisers Act of 1940.

Other Conflicts Created by Side-By-Side Management

ClearBridge, LLC may manage accounts that pay a performance-based fee. These accounts may be managed by a portfolio manager who also manages accounts that pay fees based on a percentage of assets under management. Since the compensation of each of ClearBridge, LLC's portfolio managers is impacted by firm profitability, it is possible under certain circumstances that a portfolio manager's compensation could be more positively impacted if an account that pays a performance fee performs better than accounts that do not. ClearBridge, LLC recognizes that this creates the potential for conflicts of interest and the Firm has taken steps to address these conflicts.

Other types of side-by-side management can cause conflicts of interest. For instance, the Firm and its employees, including its portfolio managers, research analysts and traders, may have significant interests in certain accounts managed by ClearBridge, LLC including certain unregistered funds. A ClearBridge, LLC employee's interest may be a direct ownership interest in the fund (or a fund that invests in the fund or a separate account) or an indirect interest in the fund, for example as a participant in a deferred compensation plan that invests in the fund (or a fund that invests in the account). The interests of the Firm and its employees in a fund or separate account may constitute all or substantially all of the assets of that fund/account. The interests of the Firm and its employees in these funds/accounts, which are generally treated as client accounts, may present a conflict of interest for ClearBridge, LLC and its employees in allocating investment opportunities among such funds/accounts and other client accounts.

On occasion, the Firm and/or its parent, Legg Mason, may invest corporate money or, as with the case of deferred compensation, certain employees' deferred compensation, in one or more vehicles that it has "seeded" to establish a performance track record for a new strategy. These accounts are managed as client accounts and are subject to the same compliance oversight and testing as all other accounts to ensure they are not given favorable treatment because they contain insiders' money.

How We Address the Conflicts

To manage these potential conflicts of interest, ClearBridge, LLC has adopted policies and procedures to ensure that all investment opportunities are allocated equitably to clients. The Compliance Department monitors the allocation of investment opportunities on a daily basis. Furthermore, to the extent possible, orders for accounts are aggregated and executions are allocated without consideration of client fee structure or ownership components. Compliance also reviews these allocations daily, as well as all investments in initial public offerings to ensure they comply with our policies. In addition, performance dispersion among similarly managed accounts is reviewed by Compliance on a quarterly basis.

Short Sales

Finally, ClearBridge may engage in short sale transactions on behalf of certain client accounts, including certain commingled investment vehicles. ClearBridge's policies prohibit a portfolio manager from engaging in short sale transactions on behalf of one or more client accounts with respect to any security held long by such portfolio

manager on behalf of any other client accounts, although other portfolio managers may engage in transactions in said security.

Item 7

Types of Clients

ClearBridge, LLC generally provides investment advice to high net worth individuals, investment companies (including mutual funds and foreign equivalents), pension and profit sharing plans (other than plan participants), other pooled investment vehicles (for example, private funds), charitable organizations, endowments, foundations, corporations, state or municipal government entities, sovereign wealth funds, insurance companies and other tax-exempt entities.

ClearBridge, LLC also acts as adviser to certain ClearBridge Funds which are predominately sold through intermediaries, including broker-dealers, registered investment advisers and banks. ClearBridge, LLC also acts as subadviser to non-proprietary funds and also advises offshore funds which are offered and sold by some of its offshore affiliates which can serve as investment manager, distributor, and shareholder servicing agent.

Item 8

Methods of Analysis, Investment Strategies and Risk of Loss

Our Methods of Analysis

ClearBridge, LLC offers several investment mandates to a global-client base. Each strategy adheres firmly to ClearBridge, LLC's value-driven, research intensive investment process (See Section entitled "Advisory Business" for more information). By adhering to a consistent, value-driven process, ClearBridge, LLC strives to outperform its benchmarks over the long term. ClearBridge, LLC seeks to provide its client accounts with long-term capital appreciation by actively selecting securities that the Firm believes are trading at a discount to intrinsic value.

ClearBridge, LLC's primary strategies are:

- **Value Equity**, which is designed for investors seeking a concentrated portfolio of primarily large-cap U.S. securities.
- **Small-Cap Core** is designed for investors seeking a concentrated portfolio of primarily small-cap U.S. securities.

ClearBridge, LLC invests primarily in equity securities. Risk is inherent in all investing. There is no assurance that a client account will meet its investment objective. Clients may lose a significant part of the value of their account and their account may not perform as well as other similar investments. The following is a summary description of the material risks that clients should consider when establishing an account.

Risks

There can be multiple factors that contribute to investment risk and risks vary, depending upon investment strategy. ClearBridge, LLC does not guarantee the future performance of a client's account or any specific level of performance. The following are certain important risks that should be considered by clients before investing.

Risk of Loss

Investing in securities involves risk of loss, including the risk of loss of principal.

Issuer Risk

Securities may decline in value because of changes in the financial condition of the issuer. An individual security may perform differently than the market as a whole.

Equity Risk

Investments in equity securities (e.g., common stocks, preferred stocks, convertible securities, rights, warrants and depository receipts) are subject to greater price volatility than fixed income securities. Investments in income-producing equities are subject to the risk that the issuer may reduce or discontinue the dividend.

Style Risk

Growth or value securities as a group may be out of favor and underperform the overall equity market while the market concentrates on other types of securities. Growth securities typically are very sensitive to market movements because their market prices tend to reflect future expectations. When it appears those expectations will not be met, the prices of growth securities typically fall. The value approach to investing involves the risk that stocks may remain undervalued.

Market Capitalization Risk

Risks may vary depending upon an issuer's market capitalization. Strategies that primarily invest in either large, mid, or small cap stocks take on the risk that one category may be out of favor. The stocks of small and mid cap companies may carry more risks than those of large capitalization companies as their businesses may have less financial resources and their prices are often more volatile. Small and mid cap stocks may underperform larger capitalization companies and their shares may be less liquid and therefore harder to sell.

Industry and Issuer Concentration Risk

ClearBridge, LLC may invest a significant portion of a client account in a small number of industries, and thus will be more susceptible to negative events affecting those industries. ClearBridge, LLC also tends to manage concentrated portfolios and invest in a smaller number of stocks as compared to other investment managers. As a result, changes in the value of individual stocks may have a significant impact on a client's investment account.

Item 9

Disciplinary Information

There are no reportable legal or disciplinary events for ClearBridge, LLC or its employees.

Item 10

Other Financial Industry Activities and Affiliations

A. Our Limited Purpose Broker-Dealer Affiliate

Certain employees of ClearBridge, LLC are registered representatives of Legg Mason Investor Services, LLC, an affiliated broker-dealer ("LMIS"). These individuals maintain their registrations solely to permit the marketing of mutual funds managed by ClearBridge, LLC. ClearBridge, LLC employees do not receive compensation based on the sale of any of ClearBridge, LLC products nor do they receive commissions on client transactions.

B. Commodities

Neither ClearBridge, LLC nor any management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities. To the extent that we may provide advice on commodity interests to clients, we do so only to the limited extent permitted by law for firms that are not so registered.

C. Related Person Relationships

CLEARBRIDGE INVESTMENTS, LLC

As noted above in Item 4, in the second quarter of 2013, ClearBridge, LLC integrated its business functions with those of its affiliate, ClearBridge, pursuant to which we share personnel. As part of this relationship, ClearBridge provides support to ClearBridge, LLC in the following functional areas: trading, operations, legal, compliance, risk management, technology, finance, human resources, client services, marketing, institutional sales and consultant relations. To facilitate the relationship, all ClearBridge employees are dual-hatted into ClearBridge, LLC and vice versa. Senior management of ClearBridge (Chief Executive Officer, co-Chief Investment Officers, Chief Financial Officer, General Counsel/Chief Compliance Officer) is also senior management of ClearBridge, LLC. So as to prevent any conflicts of interest from arising, especially in view of the fact that ClearBridge traders trade for ClearBridge, LLC accounts, all ClearBridge, LLC compliance procedures were amended to be identical to ClearBridge's procedures. In that way, all accounts are subject to the same policies and procedures designed to mitigate conflicts of interest and risks. Furthermore, ClearBridge's Chief Compliance Officer became ClearBridge, LLC's Chief Compliance Officer and ClearBridge's Compliance Department replaced that of ClearBridge, LLC.

LEGG MASON PARTNERS FUND ADVISOR, LLC

ClearBridge acts as adviser to registered open end investment companies to which its affiliate, Legg Mason Partners Fund Advisor, LLC, acts as Administrator. ClearBridge also acts as subadviser to various off-shore funds sponsored by Legg Mason affiliates.

Item 11

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

ClearBridge, LLC has adopted a code of ethics (the "Code") imposing standards of business conduct, including requirements to put client interests first and not to take inappropriate advantage of employment-related information. The Code is intended to mitigate or obviate potential conflicts of interest between employees and investment advisory clients and assure compliance with applicable laws and regulations. To ensure that employees do not take advantage of the knowledge of which securities are being purchased and sold on behalf of clients, the Code imposes restrictions on employee personal securities transactions. The Code requires ClearBridge, LLC employees to obtain pre-approval of most personal securities transactions from the Compliance Department. If there is an open order for a security on the trading desk, unless there is a de minimis exception where it is believed that the size of the employee's trade will not impact those of clients, the Code prohibits the employee from trading. The Code imposes greater restrictions on portfolio managers, who cannot trade in the same securities for their personal accounts for seven days before and after they have implemented a trade for client accounts. By having these "black-out" periods, the Code seeks to prevent employees from "front-running" client trades, possibly benefiting from the impact of client trades on the market. In addition, when seeking preclearance to trade in personal accounts, employees are required to certify that they are not (i) taking an investment opportunity from a client and (ii) trading on material non-public information.

Additional restrictions imposed by the Code include minimum holding periods for profitable trades so that employees, especially portfolio managers and analysts, devote their time to managing client accounts and not their own, as well as mandatory holding periods for mutual funds we manage to prevent marketing timing. Upon employment, all employees are required to report their personal securities accounts and holdings to the Compliance Department and to certify to the completeness of the information and their compliance with the Code on an annual basis.

Existing and prospective ClearBridge, LLC clients may obtain copies of the Code by mailing a written request for such document to:

ClearBridge, LLC
620 8th Avenue, 47th Floor
New York, NY 10018
Attention: Compliance Department

Item 12

Brokerage Practices

A. Factors Considered in Selecting Broker-Dealer

It is ClearBridge, LLC's policy to seek best execution when executing transactions on behalf of clients. Best execution consists of obtaining the most favorable result, considering the full range of services provided, within the current parameters of the market. Best execution is not necessarily measured by the circumstances surrounding a single transaction but may be measured over time through multiple transactions.

As discussed in Items 2 and 10, ClearBridge employees dual-hatted into ClearBridge, LLC, trade ClearBridge, LLC's clients' accounts and all trading-related policies for both entities, including oversight functions, are the same. In selecting broker-dealers to execute securities transactions, we consider the difficulty of the trade and other market-related factors that may influence trading costs, such as the liquidity of the security being traded and the size of the transaction. Criteria considered include whether a broker-dealer is willing to commit capital, counterparty risk, the broker-dealer's record of timely and proper delivery of securities and payment for trades and the broker-dealer's expertise in the types of securities traded. ClearBridge, LLC also considers the value of research services provided by broker-dealers, as described below. Alternative execution services venues (such as electronic communications networks ("ECNs"), crossing networks, direct market access, algorithmic trading and program trading) are also utilized to seek best execution.

Currency trades for settlement and hedging of international stocks are executed in-house with five different counterparties. We trade currencies throughout the course of the day in real time markets sourcing liquidity with the top FX counterparties in the market. We have added algorithmic trading venues to capture volume within currencies' quoted spreads. Prices are monitored within stated quotes during the day.

ClearBridge's Brokerage Committee oversees both ClearBridge, LLC's and ClearBridge's trading activities to ensure that client transactions are executed in the most cost-effective manner and that client brokerage is utilized in an efficient and beneficial manner. Members of the Brokerage Committee consist of representatives from the business, research, trading, portfolio management, legal, compliance and risk. An objective of the Brokerage Committee is to assure that the broker-dealers selected to execute transactions are the most appropriate, considering several factors, such as price, execution capabilities, and the receipt of research or other benefits.

Twice a year, the portfolio managers and analysts engage in a "broker vote" for the purpose of selecting those brokers who they believe provide the best overall services. Since the commencement of the ClearBridge relationship, ClearBridge, LLC's portfolio managers and analysts participate in the vote to the same extent as ClearBridge. These services include company meetings, idea generation, proprietary research, surveys and channel checks, among others. The broker vote methodology is overseen by the Brokerage Committee. The target amounts determined by this voting process, are considered by the trading desk in selecting broker-dealers, but achievement of any specific target is always subject to best execution.

On a daily basis, the Head of Trading, with assistance from the Risk Management Department, monitors counterparty risk. On a daily basis, the Head of Trading also monitors the performance of executing brokers by reviewing trade costs analyses provided by a third party vendor utilized to measure and monitor equity securities trading performance. On a quarterly basis, the Brokerage Committee reviews the broker-dealers the Firm has used to effect transactions on behalf of clients in each prior quarter, utilizing trade cost analyses

provided by the third party vendor to enable it to evaluate the overall effectiveness of the trading desk's trading activities.

1. Research and Other Soft Dollar Benefits

ClearBridge, LLC uses "soft dollars" to obtain research which supplements our internally generated research. By using clients' commissions, the Firm receives a benefit because it does not have to directly pay for this research. This creates a conflict of interest because the Firm may have an incentive to select a broker-dealer in order to receive research, not because that broker-dealer is providing best execution.

We believe that by using Client Commission Arrangements (CCAs), we can more effectively address potential conflicts. CCAs allow ClearBridge, LLC to separate the costs of trade execution from those of research. Accordingly, the Firm is able to compensate research providers even when they are not used for trade execution. The CCAs allow ClearBridge, LLC to unbundle the costs of research and execution. Brokers execute trades at execution rates that have been negotiated separate from the cost of research. The agreements allow for the creation of pools of credits that we direct the executing broker-dealers to use to compensate research providers. Trade Support electronically monitors the credits daily to ensure that they are being properly credited. On a periodic basis, the Head of Trading directs Trade Support to notify the broker-dealers to pay the third party research providers.

The use of CCAs are subject to the Firm's policy of seeking best execution and come within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, which permits the payment of commissions that exceed commissions other broker-dealers may charge if ClearBridge, LLC determines that the commissions are reasonable in relation to the research or brokerage services provided. ClearBridge, LLC pays higher commissions when the Firm pays for research, as well as execution. In those instances, a good faith determination has been made that the higher commissions are reasonable in relation to the value of research and brokerage services provided, viewed in terms of either that particular transaction or the Firm's overall responsibilities with respect to all clients' accounts.

Under Section 28(e), ClearBridge, LLC may only use soft dollars to obtain brokerage and research services that provide lawful and appropriate assistance to it in carrying out its investment decision-making responsibilities. Research received may include proprietary research generated by the broker-dealers that execute the transactions or research generated by a third party. They may be structured as traditional soft dollar arrangements whereby a broker-dealer is obligated to pay for a specific research product or they may be structured to allow ClearBridge, LLC to designate payments to specific independent research providers based on the broker vote.

The research service must provide lawful and appropriate assistance to the investment decision-making process, and may only include:

- Advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; or
- Analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts.

Specific types of research ClearBridge, LLC may receive include, without limitation, reports on insider transactions, meetings with security analysts, government representatives and company and industry representatives, attendance at research conferences (including conferences relating to social investing

issues), reports of third-party market strategists, earnings information (including estimates), surveys and custom research reports and performance attribution software and analyses.

ClearBridge, LLC does not allocate the relative costs or benefits of research, believing that the research received is, in the aggregate, of assistance in fulfilling its overall responsibilities to clients. Accordingly, any research received from a particular client's brokerage commissions may be useful to the client, but also may be useful in the management of other client accounts, including ClearBridge's accounts. We may also use research paid through CCAs to benefit accounts other than the accounts that paid the soft dollar commissions.

2. Brokerage for Client Referrals

ClearBridge, LLC does not consider whether the Firm, or any of its related persons, receives referrals from a broker-dealer before selecting that broker-dealer to execute client transactions.

3. Directed Brokerage

When requested by institutional separate account clients or mutual funds that wish to recapture part of their brokerage, we will attempt to accommodate a client request to direct us to use a specific broker-dealer. Our policy is to accept reasonable directed brokerage instructions for a client's commissions on an annual basis. ClearBridge, LLC will use best efforts to honor the client requests for directed business while our primary responsibility remains best execution. We use correspondent brokers as a means to meet client requests for directed broker credit. This process allows us to aggregate the client's orders with other clients to obtain best execution. ERISA accounts may be subject to additional requirements and restrictions.

Clients who have requested that all of their brokerage be directed to one broker ("Directed Broker") should be aware that: (i) ClearBridge, LLC will not negotiate trade execution services for the client's account or the Directed Broker's compensation for such services, (ii) ClearBridge, LLC will not be in a position to, and will not monitor for best price and execution of the transactions the Directed Broker executes for the client's account, and (iii) there may be a disparity between the prices and execution quality achieved for the client's account and the prices and execution quality achieved for other clients. Such clients will also not be able to participate in initial and secondary offerings. Furthermore, if a client directs all its brokerage, its order will generally be placed after orders for clients that give ClearBridge, LLC discretion in selecting brokers are completed.

A client that directs ClearBridge, LLC to use a Directed Broker to execute trades may terminate such direction by giving written notice to ClearBridge, LLC. Termination shall become effective after ClearBridge, LLC has made any necessary adjustments to its trading systems and/or practices for the client's account, and ClearBridge, LLC shall have a reasonable amount of time after receipt of notice to make any such adjustments.

B. Allocation and Aggregation of Client Orders

Our policy is to treat each client account fairly and equitably in the aggregation of trade orders and the allocation of available securities. Trades are generally aggregated, and the allocation documented, prior to execution. It is our policy to aggregate or bunch client orders when it is determined that it is in the best interests of clients. If there are orders for the same securities for ClearBridge's clients, those orders will be aggregated with ClearBridge, LLC's clients' orders and allocated in the same manner. Our trade allocation procedures are designed to ensure that: (i) clients are treated fairly as to the securities purchased and sold for their accounts; (ii) clients are treated fairly with respect to the priority of execution of orders; (iii) clients are

treated fairly with respect to the allocation of trades; (iv) allocation of trades is done on a timely basis; and (v) all accounts receive the same treatment with respect to average price on transactions. Aggregated transactions are allocated according to one or more methods designed to ensure equitable and fair treatment. These methods include pro rata allocation, which is the usual allocation method. In situations where the trading desk determines that a partial execution quantity falls short of allowing a meaningful pro rata allocation, the trading system will randomly allocate the fill. If a client prohibits the aggregation of its order with those of other clients, that client's order is placed after the execution of the order for accounts that allow aggregation. If there is more than one client that prohibits aggregation, order placement is rotated among those clients.

ClearBridge, LLC maintains an "IPO Allocation Policy" to ensure that shares of initial public offerings and secondary offerings are allocated in a manner that, over time, treats all advisory accounts fairly. The procedures are designed to allocate IPO shares in as objective a manner as possible among accounts for which the security is suitable. (Clients who direct their brokerage usually cannot participate in these fixed price offerings.) These policies and procedures require fair and equitable allocation of IPO shares among accounts.

Portfolio managers who are interested in obtaining an allocation of an IPO must prepare an IPO Eligibility/Suitability Form expressing his or her interest, detailing the client account participation and indicating whether they are "long-term holders" or "short-term holders." (Long-term holders are expected to hold their shares for at least 60 days, unless there is an increase or decrease of 30% or more from the IPO price.) IPO shares are first allocated based upon whether the portfolio managers who submitted indications of interest are long-term holders or short-term holders, pursuant to percentages reflected in a matrix covered in the policy. Allocations of securities which are the primary investments in specialized mandates (e.g., MLPs, Convertibles and REITs) are allocated the first 50% of an MLP or REIT or Convertible IPO. The Compliance Department monitors each instance of an IPO and follow-on or secondary offering to ensure the allocations are in accordance with the policy.

The Compliance Department monitors each instance of an IPO and follow-on or secondary offering to ensure the allocations are in accordance with the policy.

C. Error Resolution Procedures

Our Breaches and Error Resolution Procedures cover errors made in the investment decision-making process as well as errors in the trading process. The correction method we use for an error must put the client in the same position the client would have been in had the error not occurred (i.e., the client must be made whole for any error-related losses and costs suffered). Gains realized in a client account because of an error caused by ClearBridge, LLC generally will remain in the client's account. In the case of an error discovered before settlement, we may seek to have the broker cancel the erroneous transaction if it is flat or at a loss; provided, that, in the case of an error affecting a U.S.-registered investment company ("fund") client, a trade cancellation may be effected to correct the error only if it would not change the net asset value of the fund.

Item 13

Review of Accounts

On a daily basis, ClearBridge, LLC's portfolio managers review client accounts and approve the securities trades they initiate for client accounts. These reviews generally focus on accounts' performance relative to applicable benchmarks and the continued investment appropriateness of the account's composition, in light of factors such

as the strategy selected and market conditions. Portfolio managers also utilize performance attribution analysis to help understand the sources of alpha (i.e., sector and stock selection components) for their investment strategies relative to applicable benchmarks and to assess portfolio diversification.

As part of its relationship with ClearBridge, ClearBridge, LLC utilizes ClearBridge's Risk Management group and a Risk Management Committee that meets no less frequently than quarterly to review investment strategy performance, performance attribution, tracking error and other key performance-related matters. These strategy reviews focus on identifying and managing investment risk by evaluating risk factors associated with each strategy. The Risk Management Committee consists of ClearBridge, LLC's Chief Executive Officer, co-Chief Investment Officers, and the Head of Risk Management. The Risk Management Committee receives reports from the Risk Management team on a daily (counterparty, leverage, derivatives, etc.), weekly (credit instruments, top holdings, watch list, sector concentration, etc.), monthly (Northfield Risk Model results) and quarterly (risk profile analysis for each strategy) basis.

The Compliance Department performs a daily review of accounts to ensure consistency with regulatory and guideline restrictions. In addition, Compliance performs a daily trade blotter review to ensure that investment opportunities are equitably allocated and that clients that participated in aggregated trades receive appropriate allocations.

ClearBridge, LLC's Client Services Department provides value-added service to clients through frequent client meetings and discussions, prompt dissemination of pertinent organizational and portfolio information, and timely responses to client-requested deliverables. As part of a client's relationship with ClearBridge, LLC, the client may receive quarterly statements describing performance of the client's account in absolute terms and relative to the client's benchmark, as well as a breakdown of the account's current structure with changes during the period outlined. Monthly statements are also available. To meet specific needs, the Client Services Department also can produce customized monthly or quarterly reports containing in-depth performance data and metrics.

Item 14

Client Referrals and Other Compensation

Other than research services described in Item 12, ClearBridge, LLC does not receive economic benefits from anyone who is not a client in connection with the advisory services we provide to our clients.

ClearBridge, LLC may enter into agreements with, and pay fees to, individuals and firms that solicit clients for its investment advisory services. For every arrangement with an unaffiliated third party solicitor, the structure of the solicitation agreement, including the compensation payable to the solicitor, will be disclosed to the client as required by applicable law.

ClearBridge, LLC, or its distribution affiliates, may pay firms that sponsor or recommend ClearBridge, LLC's products to their clients for the costs of marketing or promotional expenses, for expenses incurred in connection with training or educational seminars for personnel of the firms or for expenses incurred in connection with client or prospective client meetings relating to ClearBridge, LLC investment services. These benefits could give firms and their personnel incentives to favor ClearBridge, LLC investment management services and ClearBridge, LLC - managed products over those of firms that do not provide the same payments and benefits. These payments and benefits are subject to internal policies and regulatory restrictions.

Item 15

Custody

We do not take physical custody of our clients' assets. Clients typically retain their own custodians under arrangements negotiated independently between them and their custodians. Although we do not have possession of client assets, under SEC rules we may be deemed to have custody of client assets if the client directs its custodian to pay ClearBridge, LLC its advisory fee. In this circumstance, ClearBridge, LLC ascertains that the custodian sends the client an account statement at least quarterly. Clients are urged to compare their custodial statements with those provided by ClearBridge, LLC.

Item 16

Investment Discretion

We require clients to enter into written agreements with us that set forth the terms of our relationship. Under these agreements, ClearBridge, LLC generally has discretionary authority to determine the securities to be bought and sold for client accounts, including the amounts of such securities. We also generally have the authority to select broker-dealers to execute transactions and to determine the price at which to transact such transactions.

Our discretionary authority is in all cases subject to the specific objectives, guidelines and restrictions in the investment management agreement. Investment guidelines generally set forth permitted investments and usually provide a benchmark against which the account is managed. As noted in Item 4 above, guidelines may also contain restrictions or limitations on issuers or types of issuers, percentage limitations on issuers, sectors or foreign securities, prohibited investments and prohibitions or limitations on investments in specific instruments, such as derivatives.

ClearBridge, LLC has self-imposed rules with regard to maximum size of positions in a security that may be held across the firm and in individual accounts. In addition, ClearBridge, LLC may be prohibited from purchasing or holding certain securities by virtue of legal, regulatory or issuer-imposed restrictions, including, without limitation, restrictions on the amount of securities that may be held or controlled by any one entity.

Under ClearBridge, LLC's Policy on Material Non-Public Information, if ClearBridge, LLC is in possession of material non-public information about an issuer, whether acquired unintentionally or otherwise, in general, neither ClearBridge, LLC nor its employees are permitted to trade in that issuer's securities for client accounts or their own accounts, until such time as the information is no longer deemed to be material non-public information. As such, there may be circumstances which will prevent the purchase or sale of securities for client accounts for a period of time.

Finally, clients may limit ClearBridge, LLC's authority by directing that all or a portion of a client's brokerage transactions be executed through a directed broker. See discussion in Item 12 above regarding directed brokerage.

Item 17

Proxy Voting

ClearBridge, LLC has implemented policies and procedures that it believes are reasonably designed to ensure that proxies are voted in the best interests of clients and with the goal of maximizing the value of the assets of client accounts. ClearBridge, LLC's authority to vote proxies is established through investment management agreements or comparable documents. In exercising its proxy voting authority, ClearBridge, LLC will not consult or enter into agreements with officers, directors or employees of its parent, Legg Mason Inc., or its affiliates, regarding the voting of any securities owned by its clients.

ClearBridge, LLC utilizes the services of a third party vendor which provides research and recommendations as to how to vote each proxy. The final determination, however, is made by ClearBridge, LLC. ClearBridge, LLC may vote proxies for the same security differently for different clients, depending upon the client's mandate. ClearBridge, LLC may determine not to vote proxies on behalf of a client where it believes that the expected benefit of voting shares is outweighed by countervailing considerations, such as in countries that require "share blocking," and in other extraordinary circumstances.

ClearBridge, LLC also has procedures for monitoring for potential material conflicts of interest on its part or the part of its employees in voting proxies on behalf of client accounts. Except for extraordinary circumstances, in any instance in which a material conflict of interest is identified, the conflict is resolved by either excluding any conflicted person from the voting process (in the case of a conflict on the part of one or more employees instead of a firm-level conflict) or by voting in accordance with the recommendation of the independent third party.

If you have authorized ClearBridge, LLC to vote proxies on your behalf and would like to know how your proxies were voted, or would like to receive a copy of ClearBridge, LLC's Proxy Voting Policies and Procedures, please write to:

ClearBridge, LLC
100 International Drive
Baltimore, MD 21202
Attention: Client Service

Legal Proceedings Relating to Portfolio Securities

Except as may be otherwise agreed to in writing with a particular client, ClearBridge does not render any advice to or take any actions on behalf of clients with respect to any legal proceedings, including bankruptcies and shareholder litigation, to which any securities or other investments held in client accounts, or the issuers thereof, become subject, and does not initiate or pursue legal proceedings, including without limitation shareholder litigation, on behalf of clients with respect to transactions, securities or other investments held in client accounts, or the issuers thereof. Except as may be otherwise agreed to in writing with a particular client, the right to take any actions with respect to any legal proceedings, including without limitation bankruptcies and shareholder litigation, and the right to initiate or pursue any legal proceedings, including without limitation shareholder litigation, with respect to transactions, securities or other investments held in a client account is expressly reserved to the client.

Item 18

Financial Information

Not Applicable

Appendix A

Your Privacy at ClearBridge, LLC

We are concerned about the privacy of the individuals for whom we provide advisory services. We are sending this notice to individuals ("you") who invest, for personal, family, or household purposes, in accounts that we manage. This is to help you understand how we handle, protect and limit certain non-public personal information that we may collect in order to conduct and process your business with us. The provisions of this notice apply to former individual advisory clients as well as current individual advisory clients unless we state otherwise.

We protect any personal information we collect about you by maintaining physical, electronic and procedural safeguards that meet or exceed applicable law. Third parties who have access to such personal information must agree to follow appropriate standards of security and confidentiality. We train people who work for us in how to properly handle such personal information, and we restrict access to it.

The personal information that we may collect about you comes from the following sources:

- Information received from you, such as on applications or other forms.
- Information about your transactions with us, our affiliates and nonaffiliated third parties; and
- Information we may receive about you from other sources, such as your broker.

Our affiliates are the family of companies controlled by Legg Mason, Inc. If you are a customer of other Legg Mason, Inc. affiliates and you receive notices from them, you will need to read those notices separately.

We do not disclose any non-public personal information about you except as permitted by law. For example, we are permitted to disclose non-public personal information to our affiliates and non-affiliated third parties that perform various services on our behalf, including custodians, broker-dealers and companies that perform marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements. These companies agree to use this information only for the services for which we hired them and are not permitted to use or share this information for any other purpose.