

LEGG MASON CANADA INC.
STATEMENT OF POLICIES

Legg Mason Canada Inc. ("LMC") is providing this Statement of Policies to our clients regarding LMC's activities as an advisor and dealer in respect of securities of related and connected issuers and our activities regarding related registrants.

ACTING AS AN ADVISOR AND AS A DEALER AND RETAINING RELATED PARTIES

LMC is registered in certain provinces as an advisor in the category of investment counsel and portfolio manager and is also registered in certain provinces as a limited market dealer.

Securities laws require that we provide the following note to all our clients:

The securities laws of various provinces require securities dealers, and advisors, when they trade in or advise with respect to their own securities, or securities of certain issuers to which they, or certain other parties related to them, are related or connected, to do so only in accordance with particular disclosure and other rules.

These rules require that dealers and advisors, prior to trading with or advising their customers or clients, inform them of the relevant relationships and connections with the issuer of the securities. Clients and customers should refer to the applicable provisions of these securities laws for the particulars of these rules and their rights, or consult with a legal adviser.

LMC is in the business of providing advisory services. We act as an advisor to clients under investment management agreements which may permit us to invest in pooled funds sponsored by us. In addition to providing advice to our clients, we sponsor and manage pooled funds. We are usually the advisor to the funds and we retain sub-advisors which are related to us.

We may also act as the dealer on a private placement trade when we distribute funds to clients. LMC pooled funds are privately placed. Due to securities regulatory requirements of certain jurisdictions, we act as a dealer on the trade to the pooled fund on behalf of our advisory client. In such circumstance, we are simply processing a trade determined to be made in our role as advisor to the client under an investment management agreement.

Except for Legg Mason Western Asset Canadian Money Market Fund, LMC is not in the business of soliciting trades in funds on a private placement basis. LMC may act at times as a dealer on a private placement trade when LMC does not also have an advisory agreement with the investor. LMC only acts as a dealer when the investment is made in one of the pooled funds sponsored by it (or funds sponsored by Legg Mason or an affiliate) in circumstances where the client has determined to invest in the particular fund without LMC's advice. LMC simply implements the trade as dealer where required by jurisdictional regulations.

RELATED AND CONNECTED ISSUERS OF LMC

LMC is a wholly owned subsidiary of Legg Mason Canada Holdings Ltd. ("LM Holdings") which, in turn, is a subsidiary of Legg Mason, Inc. ("Legg Mason"), a global asset management firm based in Baltimore, Maryland. Sub-advisors retained by LMC may include affiliates of Legg Mason. As a result, LM Holdings and Legg Mason and its affiliates are related issuers of LMC. A related issuer means a person or company that influences or is influenced by, through the ownership or direction and control over voting securities, another person or company.

A person or company is connected to another person or company if, due to its relationships with such person, a prospective purchaser of securities of the person or company might question the other person or company's independence from the first person or company. The funds of LMC ("Funds"), listed in **Appendix A**, are either related issuers or connected issuers of LMC, since LMC is the manager, trustee and distributor of the Funds.

When appointed as a discretionary investment manager by our clients, we may invest clients' assets in units of the Funds. We will not invest the assets of the Funds in securities of Legg Mason or any of its affiliates. We may invest assets of a managed account in securities of Legg Mason or an affiliate if specifically requested to do so by a client.

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DEALINGS WITH AFFILIATES AND RELATED REGISTRANT TRANSACTIONS

LMC may establish business relationships with certain affiliates of Legg Mason. A list of such companies is attached as **Appendix B**. LMC may, from time to time, appoint these companies as sub-advisors to manage the assets, or a portion of the assets, of certain clients or the Funds. LMC provides access to the services of the Legg Mason group of companies and does not intend to replace such sub-advisors with third parties.

Certain of these affiliates are also related registrants of LMC, as they are registered with one or more Canadian securities regulatory authorities. When retaining the investment management services of related registrants, LMC will enter into sub-advisory agreements with each of them that reflect normal commercial terms for such types of agreements. In providing portfolio management services to certain clients or certain of the Funds, each related registrant is contractually bound to discharge its duties honestly and in good faith and in the best interests of the client and the Funds and to exercise the degree of care, diligence and skill that a reasonably prudent investment manager would exercise in comparable circumstances. As the manager and advisor to clients and the Funds, LMC is responsible for the advice received from the sub-advisor and for any loss that arises out of the failure of the sub-advisor to meet the standard of care.

Securities legislation also requires a securities dealer or advisor to inform its clients if the dealer or advisor has a principal shareholder, officer or director that is a principal shareholder, officer or director of another dealer or advisor, and of the policies and procedures adopted by the dealer or advisor to minimize the potential for conflicts of interest that may result from this relationship.

LMC receives certain consultancy services from Batterymarch Financial Management, Inc. ("Batterymarch"), a wholly owned and independently operated asset management subsidiary of Legg Mason and a related registrant of LMC. Batterymarch makes available to LMC the services of its employee, Adam Petryk, as an independent consultant of LMC. Mr. Petryk, Senior Director and Global Investment Strategist at Batterymarch, is also registered with LMC under its registrations with the Ontario Securities Commission. Mr. Petryk's activities at LMC may include assisting with asset allocation and risk management decisions and supporting currency hedging activities.

LMC has retained Batterymarch as investment sub-advisor on behalf of certain Funds and separately managed client accounts. These arrangements may result in a potential conflict of interest for LMC and Batterymarch, due to their affiliation and for Mr. Petryk, due to his roles with both entities. LMC, Batterymarch and Mr. Petryk seek to avoid potential conflicts of interest by entering into sub-advisory agreements that reflect normal commercial terms for such types of agreements, discharging their duties honestly and in good faith and in the best interests of their clients. All parties exercise the degree of care, diligence and skill that a reasonably prudent investment manager would exercise in comparable circumstances. As an employee of Batterymarch, Mr. Petryk is subject to Batterymarch's Code of Ethics and compliance policies and procedures. LMC has an active oversight program of sub-advisors, which includes reporting of material compliance violations to LMC, including violations of the sub-advisors' Code of Ethics.

May 6, 2009

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APPENDIX A

LEGG MASON CANADA POOLED FUNDS

Legg Mason Western Asset Canadian Money Market Fund
Legg Mason Western Asset Canadian Income Fund
Legg Mason Western Asset Canadian Core Bond Fund
Legg Mason Batterymarch U.S. Equity Fund
Legg Mason Batterymarch Canadian Core Equity Fund
Legg Mason Batterymarch North American Equity Fund
Legg Mason Batterymarch Canadian Small Cap Fund
Legg Mason Brandywine Fundamental Value U.S. Equity Fund
Legg Mason Brandywine Global Fixed Income Fund
Legg Mason Brandywine Small/Mid Cap U.S. Value Equity Pool
Legg Mason U.S. Value Fund
Legg Mason Private Capital Management U.S. Equity Fund
Legg Mason GC International Equity Fund
Legg Mason GC Global Equity Fund
Legg Mason Accufund
Legg Mason Diversifund

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APPENDIX B

DEALINGS WITH AFFILIATES

LMC may, from time to time, establish business relationships with certain affiliates of Legg Mason:

- Batterymarch Financial Management, Inc. – Institutional portfolio manager based in Boston, MA
- Brandywine Global Investment Management, LLC – Institutional portfolio manager based in Philadelphia, Pennsylvania
- ClearBridge Advisors, LLC – Investment manager headquartered in New York, New York
- Global Currents Investment Management, LLC – Investment manager based in Wilmington, DE
- Legg Mason Capital Management, Inc. – Investment manager based in Baltimore, Maryland
- Legg Mason Global Asset Allocation, LLC – Investment manager based in New York, New York
- Legg Mason International Equities – Investment manager based in London, England
- Private Capital Management, LP – Portfolio manager for high net worth clients; based in Naples, FL
- Royce & Associates, LLC – Institutional funds investment manager based in New York, New York
- The Permal Group – Investment manager based in New York, New York
- Western Asset Management Company – Institutional portfolio manager based in Pasadena, CA

RELATED REGISTRANTS

The following are companies related to LMC through common ownership by Legg Mason and registered with one or more Canadian securities regulatory authorities:

- ***Batterymarch Financial Management, Inc.***
 - Registered as an International Adviser (Investment Counsel & Portfolio Manager)
 - LMC has retained Batterymarch Financial Management, Inc. to manage Legg Mason Batterymarch Canadian Core Equity Fund, Legg Mason Batterymarch North American Equity Fund, Legg Mason Batterymarch Canadian Small Cap Fund and Legg Mason Batterymarch U.S. Equity Fund
- ***Brandywine Global Investment Management, LLC***
 - Registered as an International Adviser (Investment Counsel & Portfolio Manager)
 - LMC has hired Brandywine Global Investment Management, LLC to manage Legg Mason Brandywine Global Fixed Income Fund, Legg Mason Brandywine Fundamental Value U.S. Equity Fund and Legg Mason Brandywine Small/Mid Cap U.S. Value Equity Pool
- ***Private Capital Management, L.P.***
 - Registered as an International Adviser (Investment Counsel & Portfolio Manager)
 - LMC has hired Private Capital Management, L.P. to manage Legg Mason Private Capital Management U.S. Equity Fund
- ***Western Asset Management Company***
 - Registered as an International Adviser (Investment Counsel & Portfolio Manager) and Commodity Trading Manager (Non-Resident)
 - LMC has hired Western Asset Management Company to manage Legg Mason Western Asset Canadian Money Market Fund, Legg Mason Western Asset Canadian Income Fund, and Legg Mason Western Asset Canadian Core Bond Fund