

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See Statement 1

Blank lines for listing Internal Revenue Code sections and subsections.

18 Can any resulting loss be recognized? ▶ See Statement 1

Blank lines for providing information regarding resulting loss recognition.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See Statement 1

Blank lines for providing other information necessary to implement the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ *Susan C. Curry* Date ▶ *11/16/2012*

Print your name ▶ **Susan C. Curry** Title ▶ **Assistant Treasurer**

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶	Firm's EIN ▶			
	Firm's address ▶	Phone no.			

**Information Furnished Pursuant to Internal Revenue Code Section 6045B
Relating to Actions Affecting the Basis of Securities**

Issuer's Name: Western Asset Funds, Inc. –
Western Asset Limited Duration Bond Fund
EIN: 54-2122033
Ticker Symbol: See Table Below
Classification: Various classes of stock issued by a Regulated Investment Company
CUSIP Number: See Table Below

The Fund has determined that a portion of the distributions listed below that were paid during the taxable period ended October 5, 2012, are classified as return of capital:

Class	CUSIP	NASDAQ Symbol	Record Date	Ex-Dividend Date	Payable Date	Distribution Per Share	Return of Capital Percentage
A	957663297	WADAX	Daily	Daily	May 2012 - October 2012	\$ 0.052813	1.44%
C	957663289	WADCX	Daily	Daily	May 2012 - October 2012	\$ 0.021426	1.44%
I	957663107	WALDX	Daily	Daily	1/31/2012	\$ 0.009319	1.21%
I	957663107	WALDX	Daily	Daily	February 2012 - October 2012	\$ 0.096899	1.44%
IS	957663586	WALSX	Daily	Daily	1/31/2012	\$ 0.010041	1.21%
IS	957663586	WALSX	Daily	Daily	February 2012 - October 2012	\$ 0.098611	1.44%

A return of capital is not considered taxable income to shareholders. Pursuant to IRC Section 301(c), the portion of a distribution which is a dividend (as defined under IRC Section 316) is includable in gross income while the portion of the distribution which is not a dividend shall be applied against and reduce the adjusted basis of the stock. Accordingly, shareholders who received these distributions should not include these amounts in taxable income, but instead pursuant to Internal Revenue Code Sections 301(c)(2) and 1016(a)(4), should treat them as a reduction of the cost basis of the applicable shares upon which these distributions were paid. In order to compute the required adjustment to cost basis, a shareholder should multiply the per share amount of each of the respective distributions by the number of shares held at each of the respective ex-dates.

If the shareholder has not sold or otherwise disposed of any shares during the period ended October 5, 2012, the information computed by the shareholder regarding the appropriate reduction in cost basis should be maintained in the shareholder's records until such time as the shareholder sells or otherwise disposes of such shares.

If the shareholder has sold or otherwise disposed of any shares during the period ended October 5, 2012, the shareholder should increase the recognized gain or decrease the recognized loss on the respective shares sold by the per share amount of the above-listed distribution multiplied by the respective shares held at each of the ex-dates listed which have been sold.

This information is being provided pursuant to Internal Revenue Code Section 6045(e), as amended. The tax information contained herein is provided for informational purposes only and should not be construed as legal or tax advice. Legg Mason does not provide legal or tax advice to taxpayers. This material and any tax-related statements are not intended or written to be used, and cannot be used or relied upon, by any such taxpayer for the purpose of avoiding tax penalties. Please consult an attorney or tax professional for assistance as to how this information will impact your specific tax situation.

For more information, please contact the Fund at 1-800-822-5544 or visit the Fund's web site at www.leggmason.com/individualinvestors/.