



U.S. GOVERNMENT OBLIGATIONS INFORMATION

Important tax information for 2019.

This tax update provides information to help you properly report your state and local tax liability on income distributions you received from your mutual fund investments in 2019. Below, you will find a list of Nicholas funds that earned a portion of their investment income from obligations of the U.S. government. Direct U.S. government obligations and certain U.S. government agency obligations* are generally exempt from taxation in most states.

Check with your state or local tax office or with your tax advisor to determine whether your state allows you to exclude some or all of the income you earn from mutual funds that invest in U.S. government obligations. If your state allows an exclusion, refer to this document for the percentage of income** that may be excluded for each fund in which you are invested.

Questions? Call us at 800-544-6547 Monday through Friday from 8 a.m. to 7 p.m., Central time. Our investment professionals can't provide tax advice; consult a qualified tax professional if your tax situation is complex or if you are uncertain about a specific IRS rule.

	Percentage of ordinary income from U.S. government obligations
Nicholas Fund, Inc.	3.9625%
Nicholas II, Inc. – Class I and Class N	6.2911%
Nicholas Limited Edition, Inc. – Class I	7.4717%
Nicholas Limited Edition, Inc. – Class N	Not Applicable
Nicholas Equity Income Fund, Inc.	2.9354%
Nicholas High Income Fund, Inc. – Class I and Class N	1.8234%

The following example shows how an investor who earned \$1,000.00 in ordinary income dividends from Nicholas Fund, Inc. would calculate the portion of ordinary income dividends that may be exempt from state income or investment tax. For illustrative purposes only.

Nicholas Fund, Inc. total ordinary income dividends		Percentage of ordinary income from U.S. government obligations	=	Portion of total ordinary dividends that may be state tax-exempt
\$1,000.00	X	3.9625%		\$39.63

In this example, \$39.63 may be exempt from state tax.

*Investments in U.S. government obligations may include the following: Banks for Cooperatives, the Commodity Credit Corporation, the Federal Deposit Insurance Corporation, Federal Farm Credit Banks, the Federal Financing Bank, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Land Banks and the Federal Land Bank Association, the Federal Savings and Loan Insurance Corporation, the General Insurance Fund, the Government Services Administration (GSA Public Building Trust Participation Certificates), the Production Credit Association, the Student Loan Marketing Association, the Tennessee Valley Authority, the U.S. Postal Service, and the U.S. Treasury Department (bonds, notes, bills, certificates, and savings bonds). GNMA securities aren't U.S. government obligations.

**The percentages provided apply only to ordinary income distributions (dividends); they do not apply to capital gains distributions.

Nothing contained in this communication constitutes tax, legal, or investment advice. Investors must consult their tax adviser or legal counsel for advice and information concerning their particular situation.