

Subject: Revised Partnership Audit Procedures

This email notice (this “Notice”) is being sent by National Equity Fund, Inc. (“NEF”) to the general partners and managing members of the limited partnerships and limited liability companies in which affiliates of NEF have invested as limited partner or investor member. For purposes of this Notice, each such limited partnership or limited liability company is referred to herein as a “Partnership”, each such general partner or managing member is referred to herein as a “General Partner”, each such limited partner or investor member is referred to herein as a “Limited Partner”, and the limited partnership agreement or operating agreement governing each Partnership is referred to herein as a “Partnership Agreement”. Unless otherwise defined herein, capitalized terms used in this Notice, as applicable to each Partnership, shall have the meanings assigned to such terms in the Partnership Agreement governing such Partnership.

This Notice is intended to clarify the effects of federal tax law changes that became effective January 1, 2018 on the preparation of the 2018 federal tax return for the Partnership and the duties of the General Partners regarding tax matters generally under the Partnership Agreement. Since those changes replaced the concept of tax matters partner with the new concept of partnership representative, this Notice primarily addresses the effects of those changes on the General Partner’s role as Tax Matters Partner under Partnership Agreements dated prior to January 1, 2018. Please review the contents of this Notice carefully with the Partnership’s Accountants.

The subject federal tax law changes involve the revised partnership audit procedures under Subchapter 63C of the Code, as amended by the Bipartisan Budget Act of 2015, P.L. 114-74 and the Protecting Americans from Tax Hikes Act of 2015, P.L. 114-113, and Regulations promulgated thereunder (the “Revised Partnership Audit Procedures”). Those procedures address in modified form many of the duties and activities previously assigned to the tax matters partner under the Code and, for any taxable years beginning prior to 2018, to the Tax Matters Partner under the Partnership Agreement. For taxable year beginning in 2018 and thereafter, the role of the tax matters partner has been replaced in modified form, pursuant to Section 6223(a) of the Code, by the role of the partnership representative (“Partnership Representative”) who designates an individual through whom the Partnership Representative will act (“Designated Individual”). You are required to identify the Partnership Representative and Designated Individual in the draft 2018 federal tax return provided to the Asset Manager for its approval.

As a result of the Revised Partnership Audit Procedures, NEF expects the General Partner will serve as the Partnership Representative for taxable years beginning in 2018 and thereafter just as it served as the Tax Matters Partner for taxable years beginning prior to 2018, and an officer of the General Partner or Project Sponsor will serve as the Designated Individual. **The foregoing designations of the General Partner as Partnership Representative and its or the Project Sponsor’s officer as Designated individual supersede and replace any designation of the Asset Manager as Partnership Representative and NEF’s chief financial officer as the Designated Individual found in Partnership Agreements dated or amended after January 1, 2018.** Subject to all applicable requirements of the Code and Regulations, the Limited Partner will appoint a replacement Partnership Representative and Designated Individual if at any time the General Partner does not qualify as a partnership representative under the Code or is removed as General Partner of the Partnership.

In a manner consistent with its prior role as Tax Matters Partner, the General Partner as Partnership Representative shall (a) give prior written notice to the Limited Partner of any administrative or judicial proceeding involving the adjustment of any tax items affecting the Partnership or Limited Partner, (b) give prompt notice of any communication to or from, or agreements with, any federal, state or local tax authority regarding any Partnership tax return or other Partnership tax matter, and (c) remain subject to the same Limited Partner consent requirements that applied to its actions as Tax Matters Partner.

As a condition of obtaining the Asset Manager's approval of any Partnership federal tax return for any taxable year beginning on or after 2018, the General Partner, Partnership Representative and Designated Individual shall (a) comply with any written direction given by the Limited Partner or obtain the Limited Partner's prior written consent with respect to making an "Opt-Out Election," "Push-Out Election," "Administrative Adjustment Request," as such terms are defined below, or any other tax decisions and elections on behalf of the Partnership or the Limited Partner for any taxable year, and (b) agree to make or not make a Code Section 163(j)(7)(B) election to allow the deductibility of interest by the Partnership as directed in writing by the Limited Partner in a communication to be posted on NEF's web site [link to follow].

The following definitions shall apply to this Notice:

"Administrative Adjustment Request" means an administrative adjustment request under Section 6227 of the Code.

"Final Partnership Adjustment" means a notice from the IRS of a final partnership adjustment under Section 6231 of the Code.

"Imputed Underpayment" shall have the meaning assigned to such term in Section 6225 of the Code.

"Opt-Out Election" means action by the Partnership Representative that causes the Partnership to elect out of the Revised Partnership Audit Rules, if such election is available to the Partnership under Section 6221(b) of the Code and Regulations or other guidance issued by the IRS.

"Push-Out Election" means an election by the Partnership Representative under Section 6226 of the Code with respect to any Imputed Underpayments(s) identified in a Final Partnership Adjustment for the Partnership.

If you need further information or wish to discuss any of the matters set forth herein, please contact Tracy Townsend, NEF Vice President and Fund Accounting Controller, by email at ttownsend@nefinc.org or by phone at (312) 697-8209.

Your prompt attention to these matters is greatly appreciated.