

# Adams Diversified Equity Fund, Inc.

500 East Pratt Street, Suite 1300  
Baltimore, MD 21202

January 12, 2018

## 2017 TAX INFORMATION

**Please Read Carefully**

*To our Shareholders:*

This letter, showing the investment income dividends and the capital gain distributions paid by the Fund during the calendar year 2017, is sent to assist you in preparing your federal income tax return. The dates and amounts of the payments are as follows:

<u>Date Paid 2017</u>	(I) Investment Income Dividends  (Per share)	(A) Percentage Entitled To Corporate Dividend Deduction	(II) Short-Term Capital Gain Distributions  (Per share)	(III) Long-Term Capital Gain Distributions  (Per share)
March 1 . . . . .	\$0.04	100%	\$ —	\$0.01
June 1 . . . . .	0.05	100%	—	—
September 1 . . . . .	0.05	100%	—	—
December 22 . . . . .	0.08*	100%	0.06	1.09*
Totals . . . . .	<u>\$0.22</u>		<u>\$0.06</u>	<u>\$1.10</u>

\* These payments are taxable whether taken in shares of the Fund's stock or in cash. The cost, for income tax purposes, of full shares received is \$14.83 per share.

The Fund has qualified as a "regulated investment company" as defined in the applicable provisions of the Internal Revenue Code of 1986, as amended. Shareholders who were entitled to receive the investment income dividends and capital gain distributions, described above, should report them for federal income tax purposes as follows:

I. *The investment income dividends*, whether received in stock or cash, should be reported by you as ordinary dividend income. Pursuant to the tax treatment for dividend income under the Jobs and Growth Tax Relief Reconciliation Act of 2003, 100% of the investment income dividends paid by the Fund in 2017 qualify as "qualified dividend income" taxable at 15% or 20% for taxpayers in higher income tax brackets, and at 0% for those in the 10% and 15% tax brackets. The enclosed Form 1099-DIV has the applied percentages in the amounts in boxes 1a and 1b, if applicable. In addition, Column (A) in the table above indicates the percentage of each investment income dividend that qualifies for the 70% dividends received deduction allowed certain corporations with respect to dividends received from domestic corporations.

II. *The short-term capital gain distributions*, whether received in stock or cash, should be reported by you as ordinary dividend income and are subject to the same tax treatment and tax rates for ordinary dividend income as discussed in paragraph I above, i.e., 100% qualify as QDI and 0% do not qualify for the preferential tax rates given to QDI. These amounts are included in your enclosed Form 1099-DIV under dividend income and are included in the totals in boxes 1a and 1b, if applicable. In addition, Column (A) above indicates the percentage of each short-term capital gain distribution that qualifies for the 70% dividends received deduction allowed certain corporations with respect to short-term capital gain distributions received from domestic corporations.

III. *The long-term capital gain distributions*, whether received in stock or cash, should be reported as a "capital gain distribution" and treated by you as long-term capital gains regardless of the length of time you have held the shares. The total capital gain you received is included in your enclosed Form 1099-DIV in box 2a. Capital gain distributions do not qualify for the dividends received deduction described in paragraph I and II above.

The Fund had 0% of ordinary dividend income derived from U.S. Government Obligations in 2017. This information is provided to assist you in preparing your state tax return.

**Please consult your tax adviser regarding your individual tax situation. Retain this letter for tax purposes.**

**Adams Diversified Equity Fund, Inc.**

LAWRENCE L. HOOPER, JR.  
*Vice President, General Counsel & Secretary*