COVANTA HOLDING CORP
Form 10-Q
July 22, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2009

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 1-06732

COVANTA HOLDING CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**95-6021257**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification Number)*
40 Lane Road, Fairfield, NJ	**07004**
(Address of Principal Executive Office)	*(Zip Code)*

(973) 882-9000
(Registrant s telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Applicable Only to Corporate Issuers:

The number of shares of the registrant s Common Stock outstanding as of the last practicable date.

Class	Outstanding at July 16, 2009
Common Stock, $0.10 par value	154,989,004 shares

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
FORM 10-Q QUARTERLY REPORT
For the Quarter Ended June 30, 2009

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q may constitute forward-looking statements as defined in Section 27A of the Securities Act of 1933 (the Securities Act), Section 21E of the Securities Exchange Act of 1934 (the Exchange Act), the Private Securities Litigation Reform Act of 1995 (the PSLRA) or in releases made by the Securities and Exchange Commission (SEC), all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Covanta Holding Corporation and its subsidiaries (Covanta) or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words plan, believe, expect, anticipate, intend, estimate, project, may, will, would, could, should, seeks, similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the safe harbor provisions of such laws. Covanta cautions investors that any forward-looking statements made by Covanta are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements with respect to Covanta include, but are not limited to, the risks and uncertainties affecting their businesses described in Item 1A. Risk Factors of Covanta s Annual Report on Form 10-K for the year ended December 31, 2008 and in other filings by Covanta with the SEC.

Although Covanta believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any of its forward-looking statements. Covanta s future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The forward-looking statements contained in this Quarterly Report on Form 10-Q are made only as of the date hereof and Covanta does not have or undertake any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

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PART I. FINANCIAL INFORMATION

Item 1. ***FINANCIAL STATEMENTS***

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008 (As Adjusted)	2009	2008 (As Adjusted)
	(Unaudited) (In thousands, except per share amounts)			
OPERATING REVENUES:				
Waste and service revenues	$ 227,842	$ 242,689	$ 434,111	$ 460,312
Electricity and steam sales	136,540	163,832	278,409	316,897
Other operating revenues	11,404	16,475	22,026	34,553
Total operating revenues	375,786	422,996	734,546	811,762
OPERATING EXPENSES:				
Plant operating expenses	214,556	238,608	470,598	497,619
Depreciation and amortization expense	51,162	51,590	102,660	100,164
Net interest expense on project debt	12,108	13,776	24,877	27,537
General and administrative expenses	26,906	23,135	52,421	47,289
Other operating expenses	9,722	19,358	19,466	31,859
Total operating expenses	314,454	346,467	670,022	704,468
Operating income	61,332	76,529	64,524	107,294
Other income (expense):				
Investment income	1,156	1,052	2,184	2,692
Interest expense	(8,532)	(11,563)	(16,448)	(25,283)
Non-cash convertible debt related expense	(6,395)	(4,453)	(11,097)	(8,827)
Total other expenses	(13,771)	(14,964)	(25,361)	(31,418)
Income before income tax expense, equity in net income from unconsolidated investments and noncontrolling interests in subsidiaries	47,561	61,565	39,163	75,876
Income tax expense	(17,901)	(24,361)	(14,583)	(30,032)
Equity in net income from unconsolidated investments	5,671	7,320	11,480	12,812

NET INCOME		35,331		44,524		36,060		58,656
Less: Net income attributable to noncontrolling interests in subsidiaries		(2,164)		(2,225)		(3,544)		(4,094)
NET INCOME ATTRIBUTABLE TO COVANTA HOLDING CORPORATION	$	33,167	$	42,299	$	32,516	$	54,562
Weighted Average Common Shares Outstanding:								
Basic		153,731		153,387		153,600		153,276
Diluted		154,953		154,848		154,846		154,710
Earnings Per Share:								
Basic	$	0.22	$	0.28	$	0.21	$	0.36
Diluted	$	0.21	$	0.27	$	0.21	$	0.35

The accompanying notes are an integral part of the condensed consolidated financial statements.

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COVANTA HOLDING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	As of	
	June 30, 2009 (Unaudited)	December 31, 2008
	(In thousands, except per share amounts)	
ASSETS		
Current:		
Cash and cash equivalents	$ 551,166	$ 192,393
Marketable securities available for sale	300	300
Restricted funds held in trust	139,207	175,093
Receivables (less allowances of $3,419 and $3,437)	246,210	243,791
Unbilled service receivables	49,123	49,468
Deferred income taxes	36,350	
Prepaid expenses and other current assets	124,257	123,214
Total Current Assets	1,146,613	784,259
Property, plant and equipment, net	2,497,055	2,530,035
Investments in fixed maturities at market (cost: $26,612 and $26,620, respectively)	27,112	26,737
Restricted funds held in trust	139,675	149,818
Unbilled service receivables	35,051	44,298
Waste, service and energy contracts, net	200,479	223,397
Other intangible assets, net	86,614	83,331
Goodwill	202,996	195,617
Investments in investees and joint ventures	117,284	102,953
Other assets	291,303	139,544
Total Assets	$ 4,744,182	$ 4,279,989
LIABILITIES AND EQUITY		
Current:		
Current portion of long-term debt	$ 6,639	$ 6,922
Current portion of project debt	179,901	198,034
Accounts payable	27,414	24,470
Deferred revenue	13,565	15,202
Accrued expenses and other current liabilities	175,614	215,046
Total Current Liabilities	403,133	459,674
Long-term debt	1,416,767	941,596
Project debt	779,857	880,336
Deferred income taxes	553,194	493,919
Waste and service contracts	107,970	114,532
Other liabilities	163,236	165,881

Total Liabilities	3,424,157	3,055,938
Commitments and Contingencies (Note 14)		
Equity:		
Covanta Holding Corporation stockholders equity:		
Preferred stock ($0.10 par value; authorized 10,000 shares; none issued and outstanding)		
Common stock ($0.10 par value; authorized 250,000 shares; issued 155,561 and 154,797 shares; outstanding 154,889 and 154,280 shares)	15,556	15,480
Additional paid-in capital	892,273	832,595
Accumulated other comprehensive loss	(3,452)	(8,205)
Accumulated earnings	381,735	349,219
Treasury stock, at par	(67)	(52)
Total Covanta Holding Corporation stockholders equity	1,286,045	1,189,037
Noncontrolling interests in subsidiaries	33,980	35,014
Total Equity	1,320,025	1,224,051
Total Liabilities and Equity	$ 4,744,182	$ 4,279,989

The accompanying notes are an integral part of the condensed consolidated financial statements.

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COVANTA HOLDING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
	2009	2008 (As Adjusted)
	(Unaudited) (In thousands)	
OPERATING ACTIVITIES:		
Net income	$ 36,060	$ 58,656
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	102,660	100,164
Amortization of long-term debt deferred financing costs	2,074	1,856
Amortization of debt premium and discount	(4,382)	(5,547)
Non-cash convertible debt related expense	11,097	8,827
Stock-based compensation expense	7,669	8,061
Equity in net income from unconsolidated investments	(11,480)	(12,812)
Dividends from unconsolidated investments	2,566	15,668
Deferred income taxes	4,997	12,599
Other, net	2,332	6,606
Decrease (increase) in restricted funds held in trust	6,654	(14,018)
Change in working capital, net of effects of acquisitions	(22,925)	(18,709)
Net cash provided by operating activities	137,322	161,351
INVESTING ACTIVITIES:		
Proceeds from the sale of investment securities	4,596	18,177
Purchase of investment securities	(5,544)	(11,106)
Purchase of property, plant and equipment	(42,098)	(53,764)
Purchase of equity interest	(8,938)	(18,503)
Acquisition of businesses, net of cash acquired	(17,517)	(20,128)
Loan issued to client community to fund certain facility improvements	(7,646)	(1,000)
Property insurance proceeds		6,315
Other, net	422	(146)
Net cash used in investing activities	(76,725)	(80,155)
FINANCING ACTIVITIES:		
Proceeds from borrowings on long-term debt	460,000	
Proceeds from issuance of warrants	53,958	
Purchase of convertible note hedge	(112,378)	
Payment of long-term debt deferred financing costs	(12,650)	
Proceeds from borrowings on project debt	2	4,102
Principal payments on long-term debt	(3,345)	(3,361)
Principal payments on project debt	(115,458)	(65,164)
Decrease (increase) in restricted funds held in trust	39,856	(12,148)

Proceeds from the exercise of options for common stock, net	147	221
Financings of insurance premiums, net	(6,259)	(6,911)
Distributions to partners of noncontrolling interests in subsidiaries	(6,085)	(3,746)
Net cash provided by (used in) financing activities	297,788	(87,007)
Effect of exchange rate changes on cash and cash equivalents	388	111
Net increase (decrease) in cash and cash equivalents	358,773	(5,700)
Cash and cash equivalents at beginning of period	192,393	149,406
Cash and cash equivalents at end of period	$ 551,166	$ 143,706

The accompanying notes are an integral part of the condensed consolidated financial statements.

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COVANTA HOLDING CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

	Covanta Holding Corporation Stockholders Equity								
	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Earnings	Treasury Stock Shares	Treasury Stock Amount	Noncontrolling Interests in Subsidiaries	Total
	(Unaudited, In thousands)								
Balance as of December 31, 2008 (As Adjusted)	154,797	$ 15,480	$ 832,595	$ (8,205)	$ 349,219	517	$ (52)	$ 35,014	$ 1,224,051
Stock-based compensation expense			7,669						7,669
Issuance of Warrants			53,846						53,846
Shares forfeited for terminated employees			1			15	(1)		
Shares repurchased for tax withholdings for vested stock awards			(1,909)			140	(14)		(1,923)
Exercise of options to purchase common stock	25	3	144						147
Shares issued in non-vested stock award	739	73	(73)						
Distributions to partners of noncontrolling interests in subsidiaries								(6,085)	(6,085)
Comprehensive income, net of income taxes:									
Net income					32,516			3,544	36,060
Foreign currency translation				4,348				1,507	5,855
SFAS 158 unrecognized net				(84)					(84)

loss									
Net unrealized gain on available-for-sale securities				489					489
Total comprehensive income				4,753	32,516			5,051	42,320
Balance as of June 30, 2009	155,561	$ 15,556	$ 892,273	$ (3,452)	$ 381,735	672	$ (67)	$ 33,980	$ 1,320,025

	Covanta Holding Corporation Stockholders Equity								
			Additional	Accumulated Other		Treasury Stock		Noncontrolling Interests	
	Common Stock		Paid-In	Comprehensive	Accumulated			in	
	Shares	Amount	Capital	Income	Earnings	Shares	Amount	Subsidiaries	Total
	(Unaudited, In thousands)								
Balance as of December 31, 2007 (As Adjusted)	154,281	$ 15,428	$ 821,338	$ 16,304	$ 220,259	359	$ (36)	$ 40,773	$ 1,114,066
Stock-based compensation expense			8,061						8,061
Shares forfeited for terminated employees			1			12	(1)		
Shares repurchased for tax withholdings for vested stock awards			(3,706)			137	(14)		(3,720)
Exercise of options to purchase common stock	16	2	220						222
Shares issued in non-vested stock award	491	49	(49)						
Distributions to partners of noncontrolling interests in subsidiaries								(3,746)	(3,746)

Comprehensive (loss) income, net of income taxes:									
Net income					54,562			4,094	58,656
Foreign currency translation				(1,254)				(1,852)	(3,106)
SFAS 158 unrecognized net loss				(339)					(339)
Net unrealized gain on available-for-sale securities				(372)					(372)
Total comprehensive (loss) income				(1,965)	54,562			2,242	54,839
Balance as of June 30, 2008	154,788	$ 15,479	$ 825,865	$ 14,339	$ 274,821	508	$ (51)	$ 39,269	$ 1,169,722

The accompanying notes are an integral part of the condensed consolidated financial statements.

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COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Organization and Basis of Presentation

The terms we, our, ours, us and Company refer to Covanta Holding Corporation and its subsidiaries; the term C Energy refers to our subsidiary Covanta Energy Corporation and its subsidiaries.

Organization

We are a leading developer, owner and operator of infrastructure for the conversion of waste to energy (known as energy-from-waste), as well as other waste disposal and renewable energy production businesses in the Americas, Europe and Asia. We conduct all of our operations through subsidiaries which are engaged predominantly in the businesses of waste and energy services. We also engage in the independent power production business outside the Americas.

We own, have equity investments in, and/or operate 60 energy generation facilities, 50 of which are in the United States and 10 of which are located outside the United States. Our energy generation facilities use a variety of fuels, including municipal solid waste, wood waste (biomass), landfill gas, water (hydroelectric), natural gas, coal, and heavy fuel-oil. We also own or operate several businesses that are associated with our energy-from-waste business, including a waste procurement business, a biomass procurement business, four landfills, which we use primarily for ash disposal, and several waste transfer stations. We have two reportable segments, Domestic and International, which are comprised of our domestic and international waste and energy services operations, respectively.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (GAAP) and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for fair presentation have been included in our financial statements. Operating results for the interim period are not necessarily indicative of the results that may be expected for the fiscal year ended December 31, 2009. This Form 10-Q should be read in conjunction with the Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements in our Form 8-K for the year ended December 31, 2008 filed on May 18, 2009.

We use the equity method to account for our investments for which we have the ability to exercise significant influence over the operating and financial policies of the investee. Consolidated net income includes our proportionate share of the net income or loss of these companies. Such amounts are classified as equity in net income from unconsolidated investments in our condensed consolidated financial statements. Investments in companies in which we do not have the ability to exercise significant influence are carried at the lower of cost or estimated realizable value. We monitor investments for other than temporary declines in value and make reductions when appropriate.

All intercompany accounts and transactions have been eliminated. Significant events which occurred subsequent to June 30, 2009 but prior to July 22, 2009, the filing date of this report, have been disclosed in Note 15. Subsequent Events.

Effective January 1, 2009, we adopted the following pronouncements which require us to retrospectively restate previously disclosed condensed consolidated financial statements. Certain prior period amounts have thus been reclassified in the unaudited condensed consolidated financial statements to conform to the current period presentation.

We adopted Statement of Financial Accounting Standards (SFAS) No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin (ARB) No. 51 (SFAS 160). SFAS 160 amends the accounting and reporting for noncontrolling interests in a consolidated subsidiary and the deconsolidation of a subsidiary. Under SFAS 160, we now report minority interests in

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

subsidiaries (now referred to as noncontrolling interests in subsidiaries) as a separate component of equity in our condensed consolidated financial statements and show both net income attributable to the noncontrolling interest and net income attributable to the controlling interest on the face of the condensed consolidated income statement. SFAS 160 applies prospectively, except for presentation and disclosure requirements, which are applied retrospectively.

We adopted Financial Accounting Standards Board (FASB) Staff Position (FSP) No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1). FSP APB 14-1 is effective for our $373.8 million aggregate principal amount of 1.00% Senior Convertible Debentures (the Debentures) and requires retrospective application for all periods presented. The FSP requires the issuer of convertible debt instruments with cash settlement features to separately account for the liability ($276.0 million as of the date of the issuance of the Debentures) and equity components ($97.8 million as of the date of the issuance of the Debentures) of the instrument. The debt component was recognized at the present value of its cash flows discounted using a 7.25% discount rate, our borrowing rate at the date of the issuance of the Debentures for a similar debt instrument without the conversion feature. The equity component, recorded as additional paid-in capital, was $56.1 million, which represents the difference between the proceeds from the issuance of the Debentures and the fair value of the liability, net of deferred taxes of $41.7 million as of the date of the issuance of the Debentures. For additional information, see Note 6. Changes in Capitalization.

FSP APB 14-1 also requires accretion of the resultant debt discount over the expected life of the Debentures, which is February 1, 2007 to February 1, 2012, based on the first permitted redemption date of the Debentures. The condensed consolidated income statements were retrospectively modified compared to previously reported amounts as follows (in millions, except per share amounts):

	Three Months Ended June 30, 2008		Six Months Ended June 30, 2008	
Additional pre-tax non-cash convertible debt related expense	$	(4.5)	$	(8.8)
Additional deferred tax benefit		1.9		3.7
Retrospective change in net income and retained earnings	$	(2.6)	$	(5.1)
Change to basic earnings per share	$	(0.01)	$	(0.03)
Change to diluted earnings per share	$	(0.02)	$	(0.04)

For the three and six months ended June 30, 2009, the additional pre-tax non-cash convertible debt related expense recognized in our condensed consolidated income statement related to the adoption of FSP APB 14-1 was $4.8 million and $9.5 million, respectively.

Note 2. Recent Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 (SFAS 168). The FASB Accounting Standards Codification (Codification) will become the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Codification will supersede all then-existing non-SEC accounting and reporting standards. SFAS 168 is effective for our financial statements issued for interim and annual periods commencing with the quarterly period ended September 30, 2009. In the FASB s view, the issuance of SFAS 168 and the Codification will not change GAAP, and therefore we do not expect the adoption of SFAS 168 to have an effect on our financial statements or disclosures.

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167), which is a revision to FASB Interpretation No. 46(R), Consolidation of Variable Interest Entities . SFAS 167 changes how a company determines when an entity that is insufficiently capitalized or when an entity is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity s purpose and design and a company s ability to direct the activities of the entity that most significantly impact the entity s economic performance. SFAS 167 is effective for us on January 1, 2010. We do not expect the adoption of SFAS 167 to have a material impact on our consolidated financial statements and we are continuing to assess the potential effects of this pronouncement.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets (SFAS 166), which is a revision to SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities . SFAS 166 requires more information about transfers of financial assets, including securitization transactions and risks related to transferred financial assets. SFAS 166 eliminates the concept of a qualifying special-purpose entity, changes the requirements for derecognizing financial assets, and requires additional disclosures. SFAS 166 is effective for us on January 1, 2010. We do not expect the adoption of SFAS 166 to have a material impact on our consolidated financial statements and we are continuing to assess the potential effects of this pronouncement.

In December 2008, the FASB issued FSP SFAS No. 132R-1, Employers Disclosures about Postretirement Benefit Plan Assets (FSP SFAS 132R-1) which significantly expands the disclosures required by employers for postretirement plan assets. The FSP requires plan sponsors to provide extensive new disclosures about assets in defined benefit postretirement benefit plans as well as any concentrations of associated risks. In addition, the FSP requires new disclosures similar to those in SFAS No. 157, Fair Value Measurements (SFAS 157), in terms of the three-level fair value hierarchy. The disclosure requirements are annual and do not apply to interim financial statements and are required by us in disclosures related to the year ended December 31, 2009. We do expect the adoption of FSP SFAS 132R-1 to result in additional annual financial reporting disclosures and we are continuing to assess the potential effects of this pronouncement.

Note 3. Acquisitions, Business Development and Dispositions

Acquisitions made prior to December 31, 2008 were accounted for in accordance with SFAS No. 141, Business Combinations (SFAS 141). Effective January 1, 2009, all business combinations are accounted for in accordance with SFAS No. 141 (revised 2007), Business Combinations (SFAS 141R). In April 2009, the FASB issued FSP SFAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination that Arise from Contingencies (FSP SFAS 141(R)-1). The FSP amends SFAS 141R to require that assets acquired and liabilities assumed in a business combination that arise from contingencies (referred to as pre-acquisition contingencies) be recognized at fair value, in accordance with SFAS 157, if the fair value can be determined during the measurement period. If the fair value of a pre-acquisition contingency cannot be determined during the measurement period, the FSP requires that the contingency be recognized at the acquisition date in accordance with SFAS No. 5, Accounting for Contingencies , and FASB Interpretation No. 14, Reasonable Estimation of the Amount of a Loss , if it meets the criteria for recognition in that guidance. FSP SFAS 141(R)-1 has the same effective date as SFAS 141R, which was effective for us for business combinations for which the acquisition date is on or after January 1, 2009.

Our growth strategy includes the acquisition of waste and energy related businesses located in markets with significant growth opportunities and the development of new projects and expansion of existing projects. We will also

consider acquiring or developing new technologies and businesses that are complementary with our existing renewable energy and waste services business. Acquisitions are accounted for under the purchase method of accounting. The results of operations reflect the period of ownership of the acquired businesses, business development projects and dispositions. The acquisitions in the section below are not material to our condensed

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

consolidated financial statements individually or in the aggregate and therefore, disclosures of pro forma financial information have not been presented.

Acquisitions and Business Development

Domestic

Detroit Michigan Energy-from-Waste Facility

On June 30, 2009, our long-term operating contract with the Greater Detroit Resource Recovery Authority (GDRRA) to operate the 2,832 tons per day (tpd) energy-from-waste facility located in Detroit, Michigan (the Detroit Facility) expired. Effective June 30, 2009, we entered into the following transactions, which extend our interest in the Detroit Facility:

- We purchased an undivided 30% owner participant interest in the Detroit Facility and final working capital for total cash consideration of approximately $7.9 million.
- We entered into an operating and maintenance agreement with owners of the Detroit Facility, pursuant to which we will operate, maintain and provide certain other services for the owners at the Detroit Facility for a term of one year.
- We entered into a waste disposal agreement with GDRRA pursuant to which we will dispose of the waste of the City of Detroit for a term of at least one year. The term of the waste disposal agreement will automatically renew for successive one-year terms unless either party provides advance written notice of termination in accordance with the provisions thereof. In addition, as an owner participant we have the right, on one or more occasions, to call upon GDRRA to deliver the waste of the City of Detroit to the Detroit Facility at market-based rates. The call right continues for the duration of the participation agreement, which expires in 2035.

We have not finalized negotiation of pricing for a new steam agreement for the Detroit Facility. Securing a steam agreement with appropriate pricing is important for the long-term economic viability of the Detroit Facility.

Philadelphia Transfer Stations

On May 1, 2009, we acquired two waste transfer stations with combined capacity of 4,500 tpd in Philadelphia, Pennsylvania for cash consideration of approximately $17.5 million, subject to final working capital adjustments. The preliminary purchase price allocation, which includes $5.9 million of identifiable intangible assets primarily related to customer relationships and goodwill of approximately $1.3 million, is based on estimates and assumptions, any changes to which could affect the reported amounts of assets, liabilities and expenses resulting from this acquisition.

Maine Biomass Energy Facilities

On December 22, 2008, we acquired Indeck Maine Energy, LLC which owned and operated two biomass energy facilities. The two nearly identical facilities, located in West Enfield and Jonesboro, Maine, added a total of 49 gross megawatts (MW) to our renewable energy portfolio. We sell the electric output and renewable energy credits from

these facilities into the New England market. We acquired these two facilities for cash consideration of approximately $53.4 million, net of cash acquired, inclusive of final working capital adjustments. There were no amounts allocated to goodwill or other intangible assets in the final purchase price allocation.

Kent County, Michigan Energy-from-Waste Facility

On December 4, 2008, we entered into a new tip fee contract with Kent County in Michigan which commenced on January 1, 2009 and extended the existing contract from 2010 to 2023. This contract is expected to supply waste utilizing most or all of the facility s capacity. Previously this was a service fee contract.

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Pasco County, Florida Energy-from-Waste Facility

On September 23, 2008, we entered into a new service fee contract with the Pasco County Commission in Florida which commenced on January 1, 2009 and extended the existing contract from 2011 to 2016.

Indianapolis Energy-from-Waste Facility

On July 25, 2008, we entered into a new tip fee contract with the City of Indianapolis for a term of 10 years which commenced upon expiration of the existing service fee contract in December 2008. This contract represents approximately 50% of the facility s capacity.

Tulsa Energy-from-Waste Facility

On June 2, 2008, we acquired an energy-from-waste facility in Tulsa, Oklahoma for cash consideration of approximately $12.7 million. The design capacity of the facility is 1,125 tpd of waste and gross electric capacity of 16.5 MW. This facility was shut down by the prior owner in the summer of 2007 and we returned two of the facility s three boilers to service in November 2008. Since the acquisition of this energy-from-waste facility, we have invested approximately $5.3 million in capital improvements to restore its operational performance.

Peabody Landfill

On May 20, 2008, we acquired a landfill for the disposal of ash in Peabody, Massachusetts from Peabody Monofill Associates, Inc. and others for cash consideration of approximately $7.4 million.

Alternative Energy Technology Development

We have entered into various agreements with multiple partners to invest in the development, testing or licensing of new technologies related to the transformation of waste materials into renewable fuels or the generation of energy. Initial licensing fees and demonstration unit purchases approximated $6.5 million and $1.4 million during the year ended December 31, 2008 and six months ended June 30, 2009, respectively.

Harrisburg Energy-from-Waste Facility

In February 2008, we entered into a ten year agreement to maintain and operate an 800 tpd energy-from-waste facility located in Harrisburg, Pennsylvania. Under the agreement, we have a right of first refusal to purchase the facility. We also have agreed to provide construction management services and to advance up to $25.5 million in funding for certain facility improvements required to enhance facility performance, the repayment of which is guaranteed by the City of Harrisburg. We have advanced $15.9 million as of June 30, 2009 under this funding arrangement. The facility improvements are expected to be completed in the second half of 2009. On July 1, 2009, the first repayment installment on the advance was due but not paid. We are pursuing efforts to collect the past due amount, and to ensure that other amounts we have advanced will be repaid when due.

Hillsborough County Energy-from-Waste Facility

We designed, constructed, and now operate and maintain the 1,200 tpd mass-burn energy-from-waste facility located in and owned by Hillsborough County in Florida. In 2005, we entered into agreements with Hillsborough County to implement an expansion of this energy-from-waste facility, and to extend the agreement under which we operate the facility through 2027. Completion of the expansion, and commencement of the operation of the expanded project, is expected in the second half of 2009.

International

China Joint Ventures and Energy-from-Waste Facilities

On April 2, 2008, our project joint venture with Chongqing Iron & Steel Company (Group) Limited received an award to build, own, and operate an 1,800 metric tpd energy-from-waste facility for Chengdu Municipality, in Sichuan Province, People s Republic of China. On June 25, 2008, the project s 25 year waste concession agreement was executed. In connection with this project, we invested $17.1 million for a 49% equity interest in the project joint

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

venture company. The joint venture has obtained project financing for Rmb 480 million for the project, which we expect to be 49% guaranteed by us and 51% guaranteed by Chongqing Iron & Steel Company (Group) Limited until the project has been constructed and for one year after operations commence. The Chengdu project is expected to commence construction in the third quarter of 2009.

In December 2008, we entered into an agreement with Beijing Baoluo Investment Co., Ltd. (Beijing Baoluo) to purchase a direct 58% equity interest in the Fuzhou project, a 1,200 metric tpd 24 MW mass-burn energy-from-waste project in China for approximately $14 million. We currently hold a noncontrolling interest in this project. This purchase was conditional upon various regulatory and other conditions precedent and was expected to close in the second quarter of 2009. Conditions required for closing were not achieved and Beijing Baoluo informed us that it no longer desired to proceed to closing the sale. We continue to hold a noncontrolling interest in this project.

On March 24, 2009, our joint venture Taixing Covanta Yanjiang Cogeneration Co., Ltd. of which we own 85%, entered into a 25 year concession agreement and waste supply agreements to build, own and operate a 350 metric tpd energy-from-waste facility for Taixing Municipality, in Jiangsu Province, People s Republic of China. The project, which will be built on the site of our existing coal-fired facility in Taixing, will supply steam to an adjacent industrial park under short-term arrangements. The Taixing project is expected to commence construction in the second half of 2009 and be completed in 2011.

Dublin Joint Venture

On September 6, 2007, we entered into definitive agreements to build, own, and operate a 1,700 metric tpd energy-from-waste project serving the City of Dublin, Ireland and surrounding communities. The Dublin project is being developed and will be owned by Dublin Waste to Energy Limited, which we control and co-own with DONG Energy Generation A/S. Project construction, which is expected to start in the second half of 2009, is estimated to cost approximately 350 million and is expected to require 36 months to complete, once full construction commences. Dublin Waste to Energy Limited has a 25-year tip fee type contract to provide disposal service for approximately 320,000 metric tons of waste annually. The project is expected to sell electricity into the local electricity grid under short-term arrangements. We and DONG Energy Generation A/S have committed to provide financing for all phases of the project, and we expect to utilize debt financing for the project. The primary approvals and licenses for the project have been obtained, and any remaining consents, approvals and conditions necessary to begin full construction are expected to be obtained in due course. We have begun to perform preliminary on-site work and expect to commence full construction in the second half of 2009.

Dispositions International

In April 2009, we entered into agreements to terminate our joint venture with Guangzhou Development Power Investment Co., Ltd. (GDPI) and to sell our 40% equity interest in the joint venture entity, Guangzhou Development Covanta Environmental Energy Co., Ltd., at book value to an affiliate of GDPI for approximately $1.2 million. The termination and sale are conditional upon various regulatory and other conditions precedent and is expected to close later this year. Notwithstanding the termination and sale, we intend to continue to cooperate with GDPI on the development of energy-from-waste projects in Guangdong Province, People s Republic of China on a project by project basis.

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Note 4. Earnings Per Share

Per share data is based on the weighted average number of outstanding shares of our common stock, par value $0.10 per share, during the relevant period. Basic earnings per share are calculated using only the weighted average number of outstanding shares of common stock. Diluted earnings per share computations, as calculated under the treasury stock method, include the weighted average number of shares of additional outstanding common stock issuable for stock options, restricted stock, rights and warrants whether or not currently exercisable. Diluted earnings per share for all the periods presented does not include securities if their effect was anti-dilutive (in thousands, except per share amounts).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income attributable to Covanta Holding Corporation	$ 33,167	$ 42,299	$ 32,516	$ 54,562
Basic earnings per share:				
Weighted average basic common shares outstanding	153,731	153,387	153,600	153,276
Basic earnings per share	$ 0.22	$ 0.28	$ 0.21	$ 0.36
Diluted earnings per share:				
Weighted average basic common shares outstanding	153,731	153,387	153,600	153,276
Dilutive effect of stock options	412	745	433	682
Dilutive effect of restricted stock	810	716	813	752
Dilutive effect of convertible debentures				
Dilutive effect of warrants				
Weighted average diluted common shares outstanding	154,953	154,848	154,846	154,710
Diluted earnings per share	$ 0.21	$ 0.27	$ 0.21	$ 0.35
Stock options excluded from the weighted average dilutive common shares outstanding because their inclusion would have been antidilutive	1,981	300	1,981	300
Restricted stock awards excluded from the weighted average dilutive common shares outstanding because their inclusion would have been antidilutive				

See Note 1. Organization and Basis of Presentation for a discussion of the retrospective accounting change resulting from the adoption of FSP APB 14-1 effective January 1, 2009.

On May 22, 2009, we entered into privately negotiated warrant transactions in connection with the issuance of 3.25% Cash Convertible Senior Notes due 2014. These warrants could have a dilutive effect to the extent that the price of our common stock exceeds the applicable strike price of the warrants. As of June 30, 2009, the warrants did not have a dilutive effect on earnings per share. See Note 6. Changes in Capitalization.

On January 31, 2007, we issued 1.00% Senior Convertible Debentures due 2027. The Debentures are convertible under certain circumstances if the closing sale price of our common stock exceeds a specified conversion price before February 1, 2025. As of June 30, 2009, the Debentures did not have a dilutive effect on earnings per share.

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5. Financial Information by Business Segments

We have two reportable segments, Domestic and International, which are comprised of our domestic and international waste and energy services operations, respectively. The results of our reportable segments are as follows (in thousands):

	Reportable Segments			
	Domestic	International	All Other(1)	Total
Three Months Ended June 30, 2009:				
Operating revenues	$ 329,455	$ 41,506	$ 4,825	$ 375,786
Operating income (loss)	59,804	2,039	(511)	61,332
Three Months Ended June 30, 2008:				
Operating revenues	$ 350,729	$ 69,152	$ 3,115	$ 422,996
Operating income (loss)	73,553	3,506	(530)	76,529
Six Months Ended June 30, 2009:				
Operating revenues	$ 642,628	$ 83,043	$ 8,875	$ 734,546
Operating income (loss)	64,239	1,180	(895)	64,524
Six Months Ended June 30, 2008:				
Operating revenues	$ 674,013	$ 131,931	$ 5,818	$ 811,762
Operating income (loss)	98,907	9,344	(957)	107,294

(1) All other is comprised of our insurance subsidiaries operations.

Note 6. Changes in Capitalization

Short-Term Liquidity

The credit facilities are comprised of a $300 million revolving credit facility (the Revolving Loan Facility), a $320 million funded letter of credit facility (the Funded L/C Facility), and a $650 million term loan (the Term Loan Facility) (collectively referred to as the Credit Facilities). As of June 30, 2009, we were in compliance with all required covenants and had available credit for liquidity as follows (in thousands):

	Total Available Under Facility	Maturing	Outstanding Letters of Credit as of June 30, 2009	Available as of June 30, 2009
Revolving Loan Facility(1)	$ 300,000	2013	$	$ 300,000
Funded L/C Facility	$ 320,000	2014	$ 283,031	$ 36,969

(1) Up to $200 million of which may be utilized for letters of credit.

In July 2009, the 6.8% pro rata commitment previously provided by Lehman Brothers Commercial Bank under the Revolving Loan Facility was assigned to another financial institution.

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Long-Term Debt

Long-term debt is as follows (in thousands):

	As of	
	June 30, 2009	December 31, 2008
3.25% Cash Convertible Senior Notes due 2014	$ 460,000	$
Debt discount related to Cash Convertible Senior Notes	(122,206)	
Cash conversion option derivative at fair value	130,951	
3.25% Cash Convertible Senior Notes, net	468,745	
1.00% Senior Convertible Debentures due 2027	373,750	373,750
Debt discount related to Convertible Debentures	(54,880)	(64,369)
1.00% Senior Convertible Debentures, net	318,870	309,381
Term Loan Facility due 2014	635,375	638,625
Other long-term debt	416	512
Total	1,423,406	948,518
Less: current portion	(6,639)	(6,922)
Total long-term debt	$ 1,416,767	$ 941,596

3.25% Cash Convertible Senior Notes due 2014

On May 22, 2009, we issued $400 million aggregate principal amount of 3.25% Cash Convertible Senior Notes (the Notes) due 2014 in a private transaction exempt from registration under the Securities Act of 1933, as amended. On June 15, 2009, we issued an additional $60 million aggregate principal amount of Notes upon exercise in full of an over-allotment option we granted as part of the private offering. We have used and will use the net proceeds from the offering, together with the proceeds from the warrant transactions discussed below, for general corporate purposes, which may include capital expenditures, potential permitted investments or permitted acquisitions.

The Notes constitute general unsecured senior obligations and rank equally in right of payment with our existing and future senior unsecured indebtedness. The Notes are effectively junior to our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. The Notes are not guaranteed by any of our subsidiaries and are effectively subordinated to all existing and future indebtedness and liabilities (including trade payables) of our subsidiaries.

The Notes bear interest at a rate of 3.25% per year, payable semi-annually in arrears, on June 1 and December 1 of each year, commencing on December 1, 2009, and will mature on June 1, 2014. Under limited circumstances, we may be required to pay contingent interest on the Notes as a result of failure to comply with the reporting obligations in the indenture, failure to file required SEC documents and reports or if the holders cannot freely trade the Notes. When applicable, the contingent interest payable per $1,000 principal amount of Notes ranges from 0.25% to 0.50% per annum over the applicable term as provided under the indenture for the Notes. The contingent interest features of the Notes are embedded derivative instruments. The fair value of the contingent interest features of the Notes was zero as of June 30, 2009.

Under limited circumstances described below, the Notes are convertible by the holders thereof into cash only, based on an initial conversion rate of 53.9185 shares of our common stock per $1,000 principal amount of Notes (which represents an initial conversion price of approximately $18.55 per share) subject to certain customary adjustments as provided in the indenture for the Notes. We will not deliver common stock (or any other securities)

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COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

upon conversion under any circumstances. Holders may convert their Notes only under the following circumstances:

- prior to March 1, 2014, on any date during any fiscal quarter commencing at any time after June 30, 2009 and only during such fiscal quarter if the closing sale price of our common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the then effective conversion price; or

- upon the occurrence of specified corporate transactions (as provided in the indenture for the Notes); or

- upon certain fundamental changes (as defined in the indenture for the Notes in which case the conversion rate will be increased as provided in the indenture); or

- during the five consecutive business day period following any five consecutive trading-day period in which the trading price for the Notes for each day during such five-day period was less than 95% of the product of the closing sale price of our common stock on such day multiplied by the then effective conversion rate; or

- at any time on or after March 1, 2014.

The Notes are also subject to repurchase by us, at the holder s option, if a fundamental change occurs, for cash at a repurchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest (including contingent interest, if any).

The Notes are recognized as long-term debt in our condensed consolidated financial statements. The difference between the face value of the Notes ($460.0 million as of the date of issuance of the Notes) and the amount recognized in the financial statements ($335.6 million as of the date of the issuance of the Notes) is the debt discount ($124.4 million as of the date of the issuance of the Notes) which is accreted to the Notes over its life and recognized as non-cash convertible debt related expense. For both the three and six months ended June 30, 2009, the pre-tax non-cash convertible debt related expense recognized in our condensed consolidated income statement related to the Notes was $2.2 million.

The Notes are convertible into cash only, and therefore the cash conversion option that is part of the Notes is accounted for as a derivative under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). The initial valuation of the cash conversion option (the Cash Conversion Option) is an embedded derivative of $124.4 million, which is recognized as long-term debt in our condensed consolidated financial statements. The Cash Conversion Option is recorded at fair value quarterly with any change in fair value being recognized in our condensed consolidated income statement as non-cash convertible debt related expense. As of June 30, 2009, the fair value of the Cash Conversion Option was $131.0 million. See Note 11. Financial Instruments and Note 12. Derivative Instruments for additional information regarding the Cash Conversion Option.

In connection with the Notes offering, we entered into privately negotiated cash convertible note hedge transactions (the Note Hedge) with affiliates of certain of the initial purchasers of the Notes (the Option Counterparties) that are expected to reduce our exposure to potential cash payments in excess of the principal amount of the Notes that may be required to be made by us upon the cash conversion of the Notes. The Note Hedge consisted of our purchase for $112.4 million of cash settled call options on our common stock (initially correlating to the same number of shares as those initially underlying the Notes subject to generally similar customary adjustments) that have economic

characteristics similar to those of the Cash Conversion Option embedded in the Notes. The Note Hedge was recorded as a noncurrent asset in our condensed consolidated financial statements for $112.4 million. The Note Hedge is also accounted for as a derivative instrument under SFAS 133 and as such, is recorded at fair value quarterly with any change in fair value being recognized in our condensed consolidated income statement as non-cash convertible debt related expense. As of June 30, 2009, the fair value of the Note Hedge was $119.5 million. See Note 11. Financial Instruments and Note 12. Derivative Instruments for additional information regarding the Note Hedge.

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
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We expect the gain or loss from the Note Hedge to substantially offset the gain or loss associated with changes to the valuation of the Cash Conversion Option. Accordingly, we do not expect there to be a material net impact to our condensed consolidated statement of income as a result of our issuing the Notes and entering into the Note Hedge transactions.

In connection with the Notes offering, we also sold warrants (the Warrants) to the Option Counterparties, in privately negotiated transactions, initially correlating to the same number of shares as those initially underlying the Notes, which could have a dilutive effect to the extent that the market price of our common stock exceeds the then effective strike price of the Warrants. The Warrants were sold for aggregate proceeds of $54.0 million. The strike price of the Warrants is approximately $25.74 per share and is subject to customary adjustments. The Warrants are exercisable only at expiration in equal tranches over 60 days beginning on September 2, 2014 and ending on November 26, 2014. The Warrants are only net share settled which means that, with respect to any exercise date, we will deliver to the Warrant holders a number of shares for each warrant equal to the excess (if any) of the volume weighted average price of the shares on the exercise date over the then effective strike price of the Warrants, divided by such volume weighted average price of the shares, with a cash payment in lieu of fractional shares. Accordingly, the Warrants have been recorded as additional paid-in capital in our condensed consolidated financial statements for $54.0 million. The Warrant transactions also meet the definition of a derivative under SFAS 133. However, because the Warrant transactions are indexed to our common stock and are recorded in equity in our condensed consolidated balance sheets, the Warrant transactions are exempt from the scope of SFAS 133 and will not be subject to the fair value provisions of SFAS 133.

Net proceeds from the above transactions were $388.9 million, consisting of gross proceeds of $460.0 million from the Notes and $54.0 million of proceeds from the Warrants, less the $112.4 million purchase price for the Note Hedge and $12.7 million of purchase discounts and other offering expenses.

The Note Hedge transactions and the Warrant transactions are separate transactions, each of which we have entered into with the Option Counterparties, and are not part of the terms of the Notes and will not affect any rights of holders under the Notes. Holders of the Notes do not have any rights with respect to the Note Hedge transactions or Warrant transactions.

1.00% Senior Convertible Debentures due 2027

See Note 1. Organization and Basis of Presentation for a discussion of the liability component associated with the Debentures and the retrospective accounting change resulting from the adoption of FSP APB 14-1 effective January 1, 2009.

Under limited circumstances, prior to February 1, 2025, the Debentures are convertible by the holders into cash and shares of our common stock, if any, initially based on a conversion rate of 35.4610 shares of our common stock per $1,000 principal amount of Debentures, (which represents an initial conversion price of approximately $28.20 per share) or 13,253,867 issuable shares. As of June 30, 2009, if the Debentures were converted, no shares would have been issued since the trading price of our common stock was below the conversion price of the Debentures.

For specific criteria related to contingent interest, conversion or redemption features of the Debentures, refer to Note 6 of the Notes to Consolidated Financial Statements in our Form 8-K for the year ended December 31, 2008 filed on May 18, 2009.

Debt discount for the Debentures and the Notes

The debt discount related to the Debentures and the debt discount related to the Notes is accreted over their respective terms and recognized as non-cash convertible debt related expense. The accretion of debt discount

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expected to be included in our condensed consolidated financial statements is as follows for each of the periods indicated (in millions):

	For the Years Ended					
	2009	2010	2011	2012	2013	2014
Pre-tax increase in non-cash convertible debt related expense for the Debentures	$ 19.3	$ 20.8	$ 22.3	$ 1.9	$	$
Pre-tax increase in non-cash convertible debt related expense for the Notes	$ 11.9	$ 21.3	$ 23.5	$ 26.0	$ 28.8	$ 12.9

Equity

During the six months ended June 30, 2009, we awarded grants for 739,712 shares of restricted stock awards. See Note 10. Stock-Based Compensation.

During the six months ended June 30, 2009, we did not repurchase shares of our common stock under the repurchase program authorized in September 2008.

See Note 1. Organization and Basis of Presentation for a discussion of the equity component associated with the Debentures and the retrospective accounting change resulting from the adoption of FSP APB 14-1 effective January 1, 2009.

Note 7. Income Taxes

We record our interim tax provision based upon our estimated annual effective tax rate and account for the tax effects of discrete events in the period in which they occur. We file a federal consolidated income tax return with our eligible subsidiaries. Our federal consolidated income tax return also includes the taxable results of certain grantor trusts described below.

We currently estimate our annual effective tax rate, including discrete items, for the year ended December 31, 2009 to be approximately 36.3%. We review the annual effective tax rate on a quarterly basis as projections are revised. The effective income tax rate was 37.2% and 39.6% for the six months ended June 30, 2009 and 2008, respectively. The liability for uncertain tax positions, exclusive of interest and penalties, was $132.5 million as of both June 30, 2009 and December 31, 2008. No additional liabilities were recorded for uncertain tax positions during the six months ended June 30, 2009. Included in the balance of unrecognized tax benefits as of June 30, 2009 are potential benefits of $114.9 million that, if recognized, would impact the effective tax rate.

We continue to reflect interest accrued on uncertain tax positions and penalties as part of the tax provision under FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). For both the three months ended June 30, 2009 and 2008, we recognized $0.4 million and for the six months ended June 30, 2009 and 2008, we recognized $0.4 million and $0.7 million, respectively of interest and penalties on uncertain tax positions. As of June 30, 2009 and December 31, 2008, we had accrued interest and penalties associated with unrecognized tax benefits of $8.4 million and $8.1 million, respectively.

We will continue to monitor issues as they are examined by auditors representing tax authorities to determine whether an adjustment to existing FIN 48 liabilities is required or whether a FIN 48 liability should be provided for a new issue. As issues are examined by the Internal Revenue Service (IRS) and state auditors, we may decide to adjust the existing FIN 48 liability for issues that were not deemed an exposure at the time we adopted FIN 48. Accordingly, we will continue to monitor the results of audits and adjust the liability as needed. Federal income tax returns for Covanta Energy are closed for the years through 2003. However, to the extent NOLs are utilized from earlier years, federal income tax returns for Covanta Holding Corporation, formerly known as Danielson Holding Corporation, are still open. The tax returns of our subsidiary ARC Holdings are open for federal audit for the tax return years of 2004 and forward, and are currently the subject of an IRS examination. This examination is related to ARC Holdings refund requests related to NOL carryback claims from tax years prior to our acquisition of ARC

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COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Holdings in 2005 that require Joint Committee approval. State income tax returns are generally subject to examination for a period of three to five years after the filing of the respective return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. We have various state income tax returns in the process of examination, administrative appeals or litigation.

Our NOLs predominantly arose from our predecessor insurance entities (which were subsidiaries of our predecessor, which was formerly named Mission Insurance Group, Inc., Mission). These Mission insurance entities have been in state insolvency proceedings in California and Missouri since the late 1980 s. The amount of NOLs available to us will be reduced by any taxable income or increased by any taxable losses generated by current members of our consolidated tax group, which include grantor trusts associated with the Mission insurance entities.

While we cannot predict with certainty what amounts, if any, may be includable in taxable income as a result of the final administration of these grantor trusts, substantial actions toward such final administration have been taken and we believe that neither arrangements with the California Commissioner nor the final administration by the Missouri Director will result in a material reduction in available NOLs.

We had consolidated federal NOLs estimated to be approximately $591 million for federal income tax purposes as of December 31, 2008, based on the tax returns as filed. The NOLs will expire in various amounts from December 31, 2009 through December 31, 2028, if not used. Current forecasts indicate we will utilize consolidated federal NOLs in 2009 which will otherwise expire in 2009. In addition to the consolidated federal NOLs, as of December 31, 2008, we had state NOL carryforwards of $119.7 million, which expire between 2012 and 2027, capital loss carryforwards of $69.0 million expiring in 2009, additional federal credit carryforwards of $32.7 million, and state credit carryforwards of $0.8 million. These deferred tax assets are offset by a valuation allowance of $34.3 million.

For further information, refer to Note 9. Income Taxes of the Notes to the Consolidated Financial Statements included in our Form 8-K for the year ended December 31, 2008 filed on May 18, 2009.

Note 8. Supplementary Information

Operating Revenues

The components of waste and service revenues are as follows (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	**2008**	**2009**	**2008**
Waste and service revenues unrelated to project debt	$ 208,529	$ 218,965	$ 395,209	$ 412,829
Revenue earned explicitly to service project debt-principal	13,720	17,167	27,439	34,364
Revenue earned explicitly to service project debt-interest	5,593	6,557	11,463	13,119
Total waste and service revenues	$ 227,842	$ 242,689	$ 434,111	$ 460,312

Under some of our service agreements, we bill municipalities fees to service project debt (principal and interest). The amounts billed are based on the actual principal amortization schedule for the project bonds. Regardless of the amounts billed to client communities relating to project debt principal, we recognize revenue earned explicitly to service project debt principal on a levelized basis over the term of the applicable agreement. In the beginning of the agreement, principal billed is less than the amount of levelized revenue recognized related to principal and we record an unbilled service receivable asset. At some point during the agreement, the amount we bill will exceed the levelized revenue and the unbilled service receivable begins to reduce, and ultimately becomes nil at the end of the contract.

In the final year(s) of a contract, cash is utilized from debt service reserve accounts to pay remaining principal amounts due to project bondholders and such amounts are no longer billed to or paid by municipalities. Generally,

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

therefore, in the last year of the applicable agreement, little or no cash is received from municipalities relating to project debt, while our levelized service revenue continues to be recognized until the expiration date of the term of the agreement.

Our independent power production facilities in India generate electricity and steam explicitly for specific purchasers and as such, these agreements are considered lease arrangements. Electricity and steam sales included lease income from our international business of $31.3 million and $59.0 million for the three months ended June 30, 2009 and 2008, respectively, and $63.6 million and $113.1 million for the six months ended June 30, 2009 and 2008, respectively.

Operating Costs

Pass through costs

Pass through costs are costs for which we receive a direct contractually committed reimbursement from the municipal client which sponsors an energy-from-waste project. These costs generally include utility charges, insurance premiums, ash residue transportation and disposal and certain chemical costs. These costs are recorded net of municipal client reimbursements in our condensed consolidated financial statements. Total pass through costs were $14.8 million and $14.3 million for the three months ended June 30, 2009 and 2008, respectively, and $29.6 million and $30.2 million for the six months ended June 30, 2009 and 2008, respectively.

Amortization of waste, service and energy contracts

The vast majority of our waste, service and energy contracts were valued in March 2004 and June 2005 related to the acquisitions of Covanta Energy and ARC Holdings, respectively. These intangible assets and liabilities were recorded using then-available information at their estimated fair market values based upon discounted cash flows. The following table details the amount of the actual/estimated amortization expense and contra-expense associated with these intangible assets and liabilities as of June 30, 2009 included or expected to be included in our condensed consolidated statement of income for each of the years indicated (in thousands):

	Waste, Service and Energy Contracts (Amortization Expense)	Waste and Service Contracts (Contra-Expense)
Six Months ended June 30, 2009	$ 22,918	$ (6,562)
Remainder of 2009	$ 19,384	$ (6,616)
2010	29,864	(12,721)
2011	26,740	(12,408)
2012	24,647	(12,412)
2013	21,037	(12,390)
2014	20,319	(12,390)

Thereafter		58,488		(39,033)
Total	$	200,479	$	(107,970)

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other operating expenses

The components of other operating expenses are as follows (in thousands):

	Other Operating Expenses			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Construction costs	$ 5,979	$ 12,110	$ 11,325	$ 25,267
Insurance subsidiary operating expenses	4,689	3,417	8,502	5,788
Insurance recoveries	(82)	(21)	(82)	(3,769)
Foreign exchange (gain) loss	(811)	493	(306)	(4)
Other	(53)	3,359	27	4,577
Total other operating expenses	$ 9,722	$ 19,358	$ 19,466	$ 31,859

Non-cash convertible debt related expense

The components of non-cash convertible debt related expense are as follows (in thousands):

	Non-Cash Convertible Debt Related Expense			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Debt discount accretion related to the Debentures	$ 4,787	$ 4,453	$ 9,489	$ 8,827
Debt discount accretion related to the Notes	2,225		2,225	
Fair value changes related to the Note Hedge	(7,137)		(7,137)	
Fair value changes related to the Cash Conversion Option	6,520		6,520	
Total non-cash convertible debt related expense	$ 6,395	$ 4,453	$ 11,097	$ 8,827

Comprehensive Income

The components of comprehensive income are as follows (in thousands):

	Three Months Ended June 30,	Six Months Ended June 30,

	2009	2008	2009	2008
Comprehensive income, net of income taxes:				
Net income attributable to Covanta Holding Corporation	$ 33,167	$ 42,299	$ 32,516	$ 54,562
Foreign currency translation	6,149	(2,281)	4,348	(1,254)
SFAS 158 unrecognized net loss	(42)	(170)	(84)	(339)
Net unrealized gain (loss) on available-for-sale securities	773	(302)	489	(372)
Other comprehensive income (loss) attributable to Covanta Holding Corporation	6,880	(2,753)	4,753	(1,965)
Comprehensive income attributable to Covanta Holding Corporation	$ 40,047	$ 39,546	$ 37,269	$ 52,597
Net income attributable to noncontrolling interests in subsidiaries	$ 2,164	$ 2,225	$ 3,544	$ 4,094
Other comprehensive income (loss) Foreign currency translation	2,037	(1,812)	1,507	(1,852)
Comprehensive income attributable to noncontrolling interests in subsidiaries	$ 4,201	$ 413	$ 5,051	$ 2,242

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COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

See Note 1. Organization and Basis of Presentation for a discussion of the retrospective accounting change resulting from the adoption of FSP APB 14-1 and SFAS 160 effective January 1, 2009.

Goodwill

The following table details the changes in carrying value of goodwill (in thousands):

	Total
Balance as of December 31, 2008	$ 195,617
Purchase price adjustment related to the ARC Holdings acquisition	6,060
Goodwill related to the Pennsylvania transfer stations acquisition	1,319
Balance as of June 30, 2009	$ 202,996

We increased goodwill and current liabilities by $6.1 million during the quarter ended June 30, 2009 to recognize a liability due to one of our municipal clients that should have been recognized in the purchase price allocation relating to the ARC Holdings acquisition of June 2005.

Note 9. Benefit Obligations

Pension and Other Benefit Obligations

The components of net periodic benefit costs are as follows (in thousands):

	Pension Benefits				Other Post-Retirement Benefits			
	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008	2009	2008	2009	2008
Service cost	$	$	$	$	$	$	$	$
Interest cost	1,197	1,176	2,394	2,352	123	137	245	274
Expected return on plan assets	(975)	(1,182)	(1,950)	(2,364)				
Amortization of net prior service cost	19		38					
Amortization of actuarial gain	(46)	(131)	(92)	(262)	(38)	(39)	(75)	(77)
Net periodic benefit cost	$ 195	$ (137)	$ 390	$ (274)	$ 85	$ 98	$ 170	$ 197

Defined Contribution Plans

Substantially all of our domestic employees are eligible to participate in defined contribution plans we sponsor. Our costs related to defined contribution plans were $3.0 million and $2.7 million for the three months ended June 30, 2009 and 2008, respectively, and $7.4 million and $6.9 million for the six months ended June 30, 2009 and 2008, respectively.

Note 10. Stock-Based Compensation

Compensation expense related to our stock-based awards totaled $3.8 million and $7.7 million during the three and six months ended June 30, 2009, respectively, and $4.4 million and $8.1 million during the three and six months ended June 30, 2008, respectively.

During the six months ended June 30, 2009, we awarded certain employees 694,712 shares of restricted stock awards. The restricted stock awards will be expensed over the requisite service period, subject to an assumed ten percent forfeiture rate. The terms of the restricted stock awards include two vesting provisions; one based on a performance factor and continued service (applicable to 66% of the award) and one based solely on continued service (applicable to 34% of the award). If all performance and service criteria are satisfied, 1,627 shares vest during March of 2009, 2010 and 2011 and the remaining awards vest during March of 2010, 2011 and 2012.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On May 7, 2009, in accordance with our existing program for annual director compensation, we awarded 45,000 restricted stock awards under the Directors Plan. We determined that the service vesting condition of the restricted stock awards granted to the directors on May 7, 2009 to be non-substantive and, in accordance with SFAS No. 123 (revised 2004), Share-Based Payments , recorded the entire fair value of the award as compensation expense on the grant date.

As of June 30, 2009, we had approximately $15.9 million and $4.6 million of unrecognized compensation expense related to our unvested restricted stock awards and unvested stock options, respectively. We expect this compensation expense to be recognized over a weighted average period of 2.3 years for our unvested restricted stock awards and 2.9 years for our unvested stock options.

Note 11. Financial Instruments

Fair Value Measurements

For the quarter ended June 30, 2009, we adopted the following FSPs which are intended to provide additional application guidance and enhance disclosures regarding fair value measurements:

FSP SFAS No. 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP SFAS 157-4), provides guidelines for making fair value measurements more consistent with the principles presented in SFAS No. 157, Fair Value Measurements. The FSP provides guidance to determine if there has been a significant decrease in the volume and level of activity for the asset or liability, and to estimate fair values, when transactions or quoted prices are not determinative of fair value. FSP SFAS 157-4 requires management to use judgment to determine whether a market is distressed or not orderly, even if there has been a significant decrease in the volume and level of activity for the asset or liability.

FSP SFAS No. 107-1 and APB No. 28-1, Interim Disclosures about Fair Value of Financial Instruments enhances consistency in financial reporting by increasing the frequency of fair value disclosures. The FSP requires disclosure in the notes to the financial statements of fair value of its financial instruments in interim and annual reporting periods, together with the related carrying amounts, methods and significant assumptions used to estimate fair value, and changes in methods and significant assumptions, if any.

The adoption of these FSPs had no impact on our condensed consolidated financial statements and resulted only in additional financial reporting disclosures.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

For cash and cash equivalents, restricted funds, and marketable securities, the carrying value of these amounts is a reasonable estimate of their fair value. The fair value of restricted funds held in trust is based on quoted market prices of the investments held by the trustee.

Fair values for debt were determined based on interest rates that are currently available to us for issuance of debt with similar terms and remaining maturities for debt issues that are not traded on quoted market prices.

The fair value of project debt is estimated based on quoted market prices for the same or similar issuances of debt.

Fair value of our interest rate swap agreement is the estimated amount we would receive or pay to terminate the agreement based on the net present value of the future cash flows as defined in the agreement.

Fair values of derivative instruments are determined using available market information and appropriate valuation methodologies. We recognize derivative instruments on the balance sheet at their fair value. The Cash Conversion Option is valued quarterly using a Black Scholes model incorporating our common stock closing price at the reporting date and an implied volatility factor for our common stock; to determine the

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

value of the Note Hedge, the Cash Conversion Option amount is then discounted at a discount rate reflecting the Option Counterparties credit standing. The Option Counterparties are highly rated financial institutions, none of whom experienced any significant downgrades during the three months ending June 30, 2009 which could reduce any receivable amount owed to us. The contingent interest features related to the Debentures and the Notes are valued quarterly using the present value of expected cash flow models incorporating the probabilities of the contingent events occurring.

The estimated fair-value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that we would realize in a current market exchange. The fair-value estimates presented herein are based on pertinent information available to us as of June 30, 2009. However, such amounts have not been comprehensively revalued for purposes of these financial statements since June 30, 2009, and current estimates of fair value may differ significantly from the amounts presented herein.

The following tables presents information about our assets and liabilities and their fair value measurements as of June 30, 2009:

Financial Instruments Recorded at Fair Value on a Recurring Basis:	As of June 30, 2009		Fair Value Measurements at Reporting Date Using		
	Carrying Amount	Estimated Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)				
Assets:					
Cash and cash equivalents:					
Bank deposits and certificates of deposit	$ 77,639	$ 77,639	$ 77,639	$	$
Money market funds	473,527	473,527	473,527		
Total cash and cash equivalents:	551,166	551,166	551,166		
Restricted funds held in trust:					
Bank deposits and certificates of deposit	61,045	61,045	61,045		
Money market funds	140,093	140,133	140,133		
U.S. Treasury/Agency obligations(a)	30,266	30,503	30,503		
State and municipal obligations	13,275	13,140	13,140		
Commercial paper/Guaranteed investment contracts/Repurchase agreements	54,595	54,731	54,731		

Total restricted funds held in trust:	299,274	299,552	299,552		
Investments					
Marketable securities available for sale	300	300	300		
Investments held to maturity:					
U.S. Treasury/Agency obligations	14,700	14,700	14,700		
Residential mortgage-backed securities	4,031	4,031	4,031		
Corporate investments	8,381	8,381	8,381		
Equity securities	729	729	729		
Total investments:	28,141	28,141	28,141		
Interest rate swap receivable	10,825	10,825		10,825	
Derivative Asset Note Hedge	119,515	119,515		119,515	
Total assets:	$ 1,008,921	$ 1,009,199	$ 878,859	$ 130,340	$
Liabilities:					
Derivative Liability Cash Conversion Option	$ 130,951	$ 130,951	$	$ 130,951	$
Derivative Liabilities Contingent interest features of the Debentures and Notes	0	0		0	
Interest rate swap payable	10,825	10,825		10,825	
Total liabilities:	$ 141,776	$ 141,776	$	$ 141,776	$

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Financial Instruments Recorded at Carrying Amount:	Carrying Amount	Estimated Fair Value
Assets:		
Accounts receivables	$ 269,497	$ 269,497
Liabilities:		
Long-term debt (excluding Cash Conversion Option)	$ 1,292,455	$ 1,223,699
Project debt	$ 959,758	$ 947,525
Equity:		
Warrants	$ 53,846	$ 75,157

(a) The U.S. Treasury/Agency obligations in restricted funds held in trust are primarily comprised of Federal Home Loan Mortgage Corporation securities at fair value.

Investments

For the quarter ended June 30, 2009, we adopted FSP SFAS No. 115-2 and SFAS No. 124-2, Recognition and Presentation of Other-Than-Temporary Impairments, which provides additional guidance designed to create greater clarity and consistency in accounting for and presenting impairment losses on securities. The FSP revises recognition guidance in determining whether a debt security is other-than-temporarily impaired. A debt security is considered other-than-temporarily impaired if the fair value is less than the amortized cost, and in any of the following circumstances: an entity has the intent to sell the security, or it is more likely than not that an entity will be required to sell the security prior to the recovery of its amortized cost basis; and an entity does not expect to recover the entire amortized cost basis of the security. The FSP provides further guidance to determine the amount of impairment to be recorded in earnings and/or other comprehensive income. The adoption of these FSPs did not have a material impact on our consolidated financial statements and resulted primarily in additional financial reporting disclosures.

Our insurance subsidiaries fixed maturity debt and equity securities portfolio are classified as available-for-sale and are carried at fair value. Equity securities that are traded on a national securities exchange are stated at the last reported sales price on the day of valuation. Debt security values are determined by third party matrix pricing based on the last days trading activity. Changes in fair value are credited or charged directly to Accumulated Other Comprehensive Income (AOCI) in the condensed consolidated statements of equity as unrealized gains or losses, respectively. Investment gains or losses realized on the sale of securities are determined using the specific identification method. Realized gains and losses are recognized in the condensed consolidated statements of income based on the amortized cost of fixed maturities and cost basis for equity securities on the date of trade, subject to any previous adjustments for other-than-temporary declines.

Other-than-temporary declines in fair value are recorded as realized losses in the condensed consolidated statements of income and the cost basis of the security is reduced. We consider the following factors in determining whether declines in the fair value of securities are other-than-temporary :

- the significance of the decline in fair value compared to the cost basis;

- the time period during which there has been a significant decline in fair value;
- whether the unrealized loss is credit-driven or a result of changes in market interest rates;
- a fundamental analysis of the business prospects and financial condition of the issuer; and
- our ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery in fair value.

Other investments, such as investments in companies in which we do not have the ability to exercise significant influence, are carried at the lower of cost or estimated realizable value.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The cost or amortized cost, unrealized gains, unrealized losses and fair value of our investments categorized by type of security, were as follows (in thousands):

	As of June 30, 2009			
	Cost or Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Current investments:				
Fixed maturities	$ 300	$	$	$ 300
Equity securities insurance business	732	50	53	729
Total current investments	$ 1,032	$ 50	$ 53	$ 1,029
Noncurrent investments:				
Fixed maturities insurance business:				
U.S. government obligations	$ 565	$ 12	$	$ 577
U.S. government agencies	13,774	349		14,123
Residential mortgage-backed	3,977	61	7	4,031
Corporate	8,296	135	50	8,381
Total fixed maturities insurance business	26,612	557	57	27,112
Investment at cost international business	3,437			3,437
Mutual and bond funds	1,539	97		1,636
Total noncurrent investments	$ 31,588	$ 654	$ 57	$ 32,185

	As of December 31, 2008			
	Cost or Amortized Cost	Unrealized Gain	Unrealized Loss	Fair Value
Current investments:				
Fixed maturities	$ 300	$	$	$ 300
Equity securities insurance business	760	62	30	792
Total current investments	$ 1,060	$ 62	$ 30	$ 1,092
Noncurrent investments:				
Fixed maturities insurance business:				
U.S. government obligations	$ 565	$ 22	$	$ 587
U.S. government agencies	17,332	307	19	17,620

Residential mortgage-backed	4,183	27	26	4,184
Corporate	4,540		194	4,346
Total fixed maturities insurance business	26,620	356	239	26,737
Investment at cost international business	3,437			3,437
Mutual and bond funds	1,404		433	971
Total noncurrent investments	$ 31,461	$ 356	$ 672	$ 31,145

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COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table sets forth a summary of temporarily impaired investments held by our insurance subsidiary (in thousands):

	As of June 30, 2009		As of December 31, 2008	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Description of Investments				
U.S. Treasury and other direct U.S. Government obligations	$	$	$ 2,841	$ 19
Federal agency mortgage-backed securities	1,037	7	1,547	26
Corporate bonds	3,420	50	3,996	194
Total fixed maturities	4,457	57	8,384	239
Equity securities	402	53	307	30
Total temporarily impaired investments	$ 4,859	$ 110	$ 8,691	$ 269

The number of U.S. Treasury and federal agency obligations, mortgage-backed securities, and corporate bonds temporarily impaired are 0, 1, and 9, respectively. As of June 30, 2009, all of the temporarily impaired fixed maturity investments with a fair value of $4.5 million had maturities greater than 12 months.

Our fixed maturities held by our insurance subsidiary include mortgage-backed securities and collateralized mortgage obligations, collectively (MBS) representing 14.9%, and 15.6% of the total fixed maturities as of June 30, 2009 and December 31, 2008, respectively. Our MBS holdings are issued by the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), or the Government National Mortgage Association (GNMA) all of which are rated AAA by Moody s Investors Services. MBS and callable bonds, in contrast to other bonds, are more sensitive to market value declines in a rising interest rate environment than to market value increases in a declining interest rate environment.

The expected maturities of fixed maturity securities, by amortized cost and fair value are shown below (in thousands):

	As of June 30, 2009	
	Amortized Cost	Fair Value
Available-for-sale:		
One year or less	$ 5,631	$ 5,739
Over one year to five years	19,470	19,869
Over five years to ten years	1,511	1,504
More than ten years		

Total fixed maturities	$	26,612	$	27,112

The following reflects the change in net unrealized gain (loss) on available-for-sale securities included as a separate component of accumulated AOCI in the condensed consolidated statements of equity (in thousands):

	For the Three Months Ended June 30,		**For the Six Months Ended June 30,**	
	2009	**2008**	**2009**	**2008**
Fixed maturities, net	$ 500	$ (277)	$ 412	$ (177)
Equity securities, net	160	(10)	(20)	(69)
Mutual and bond funds	113	(15)	97	(126)
Change in net unrealized gain (loss) on investments	$ 773	$ (302)	$ 489	$ (372)

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COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of net unrealized gain (loss) on available-for-sale securities consist of the following (in thousands):

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Net unrealized holding gain (loss) on available-for-sale securities arising during the period	$ 744	$ (334)	$ 460	$ (404)
Reclassification adjustment for net realized losses on available-for-sale securities included in net income	29	32	29	32
Net unrealized gain (loss) on available-for-sale securities	$ 773	$ (302)	$ 489	$ (372)

Note 12. Derivative Instruments

Effective January 1, 2009, we adopted SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities An Amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 establishes the disclosure requirements for derivative instruments and for hedging activities with the intent to provide financial statement users with an enhanced understanding of the entity s use of derivative instruments, the accounting of derivative instruments and related hedged items under SFAS 133 and its related interpretations, and the effects of these instruments on the entity s financial position, financial performance, and cash flows. Other than the enhanced disclosures as follows, the adoption of SFAS 161 had no impact on our condensed consolidated financial statements.

The following disclosures summarize the fair value of derivative instruments not designated as hedging instruments under SFAS 133 in the condensed consolidated balance sheets and the effect of changes in fair value related to those derivative instruments not designated as hedging instruments under SFAS 133 on the condensed consolidated statements of income.

Derivative Instruments Not Designated as Hedging Instruments under SFAS 133	Balance Sheet Location	Fair Value as of June 30, 2009 (In thousands)	Fair Value as of December 31, 2008 (In thousands)
Asset Derivatives:			
Interest rate swap receivable	Other noncurrent assets	$ 10,825	$ 13,984
Note Hedge	Other noncurrent assets	$ 119,515	$
Liability Derivatives:			
Cash Conversion Option	Long-term debt	$ 130,951	$
Contingent interest features of the Debentures and Notes	Other noncurrent liabilities	$ 0	$ 0
Interest rate swap payable	Other noncurrent liabilities	$ 10,825	$ 13,984

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Effect on Income of Derivatives Instruments Not Designated as Hedging Instruments under SFAS 133	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivative			
		For the Three Months Ended June 30, 2009	For the Three Months Ended June 30, 2008	For the Six Months Ended June 30, 2009	For the Six Months Ended June 30, 2008
		(In thousands)			
Note Hedge	Non-cash convertible debt related expense	$ 7,137	$	$ 7,137	$
Cash Conversion Option	Non-cash convertible debt related expense	(6,520)		(6,520)	
Contingent interest features of the Debentures and Notes	Non-cash convertible debt related expense				
Interest rate swap	Net interest expense on project debt				
Effect on income of derivative instruments not designated as hedging instruments under SFAS 133		$ 617	$	$ 617	$

Cash Conversion Option, Note Hedge and Contingent Interest features related to the 3.25% Cash Convertible Senior Notes

The Cash Conversion Option is a derivative instrument which is recorded at fair value quarterly with any change in fair value being recognized in our condensed consolidated income statement as non-cash convertible debt related expense. The fair value of the Cash Conversion Option was $131.0 million as of June 30, 2009. The Note Hedge is accounted for as a derivative instrument under SFAS 133 and as such, is recorded at fair value quarterly with any change in fair value being recognized in our condensed consolidated income statement as non-cash convertible debt related expense. The fair value of the Note Hedge was $119.5 million as of June 30, 2009. The contingent interest features of the Notes are embedded derivative instruments. The fair value of the contingent interest features of the Notes was zero as of June 30, 2009.

We expect the gain or loss from the Note Hedge to substantially offset the gain or loss associated with changes to the valuation of the Cash Conversion Option. Accordingly, we do not expect there to be a material net impact to our condensed consolidated statement of income as a result of our issuing the Notes and entering into the Note Hedge. Our most significant credit exposure arises from the Note Hedge of the Notes. The fair value of the Note Hedge reflects the maximum loss that would be incurred should the Option Counterparties fail to perform according to the terms of the Note Hedge agreement. The Option Counterparties are highly rated financial institutions and we believe that the credit risk associated with their non-performance is not significant. See Note 6. Changes in Capitalization for

specific details related to the Cash Conversion Option, Note Hedge and contingent interest features of the Notes.

Contingent Interest feature of the 1.00% Senior Convertible Debentures

On January 31, 2007, we completed an underwritten public offering of $373.8 million aggregate principal amount of Senior Convertible Debentures. The Debentures bear interest at a rate of 1.00% per year, payable semi-annually in arrears, on February 1 and August 1 of each year, commencing on August 1, 2007, and will mature on February 1, 2027. Beginning with the six-month interest period commencing February 1, 2012, we will pay contingent interest on the Debentures during any six-month interest period in which the trading price of the Debentures measured over a specified number of trading days is 120% or more of the principal amount of the Debentures. When applicable, the contingent interest payable per $1,000 principal amount of Debentures will equal

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

0.25% of the average trading price of $1,000 principal amount of Debentures during the five trading days ending on the second trading day immediately preceding the first day of the applicable six-month interest period. The contingent interest feature in the Debentures is an embedded derivative instrument. The first contingent cash interest payment period does not commence until February 1, 2012, and the fair value for the embedded derivative was zero as of June 30, 2009.

Interest Rate Swaps

As of June 30, 2009, we had one interest rate swap agreement related to project debt that economically fixes the interest rate on certain adjustable-rate revenue bonds. This swap agreement was entered into in September 1995 and expires in January 2019. Any payments made or received under the swap agreement, including fair value amounts upon termination, are included as an explicit component of the client community s obligation under the related service agreement. Therefore, all payments made or received under the swap agreement are a pass through to the client community. Under the swap agreement, we pay a fixed rate of 5.18% and receive a floating rate that is either equal to (i) the rate on the adjustable rate revenue bonds or (ii) an alternative floating rate based on a percentage of LIBOR or the BMA Municipal Swap Index if certain triggering events occur, such as a put of bonds to the standby credit facility that backstops the weekly rate re-sets. The notional amount of the swap as of June 30, 2009 was $63.7 million and is reduced in accordance with the scheduled repayments of the applicable revenue bonds. The counterparty to the swap is a major financial institution. We believe that the credit risk associated with nonperformance by the counterparty is not significant. The swap agreement resulted in increased debt service expense, which is a pass through to the client community, of $0.8 million and $1.5 million for the three and six months ended June 30, 2009, respectively. The effect on our weighted-average borrowing rate of the project debt was an increase of 0.15% for six months ended June 30, 2009.

Note 13. Related-Party Transactions

We hold a 26% investment in Quezon Power, Inc. (Quezon). We are party to an agreement with Quezon in which we assumed responsibility for the operation and maintenance of Quezon s coal-fired electricity generation facility. Accordingly, 26% of the net income of Quezon is reflected in our statements of income and as such, 26% of the revenue earned under the terms of the operation and maintenance agreement is eliminated against Equity in Net Income from Unconsolidated Investments. For the three months ended June 30, 2009 and 2008, we collected $13.1 million and $11.2 million, respectively, and for the six months ended June 30, 2009 and 2008, we collected $18.3 million and $20.2 million, respectively, for the operation and maintenance of the facility. As of June 30, 2009 and December 31, 2008, the net amount due to Quezon was $5.2 million and $3.2 million, respectively, which represents advance payments received from Quezon for operation and maintenance costs.

Note 14. Commitments and Contingencies

We and/or our subsidiaries are party to a number of claims, lawsuits and pending actions, most of which are routine and all of which are incidental to our business. We assess the likelihood of potential losses on an ongoing basis and when losses are considered probable and reasonably estimable, record as a loss an estimate of the ultimate outcome. If we can only estimate the range of a possible loss, an amount representing the low end of the range of possible outcomes is recorded. The final consequences of these proceedings are not presently determinable with certainty.

Environmental Matters

Our operations are subject to environmental regulatory laws and environmental remediation laws. Although our operations are occasionally subject to proceedings and orders pertaining to emissions into the environment and other environmental violations, which may result in fines, penalties, damages or other sanctions, we believe that we are in substantial compliance with existing environmental laws and regulations.

We may be identified, along with other entities, as being among parties potentially responsible for contribution to costs associated with the correction and remediation of environmental conditions at disposal sites subject to

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

federal and/or analogous state laws. In certain instances, we may be exposed to joint and several liabilities for remedial action or damages. Our ultimate liability in connection with such environmental claims will depend on many factors, including our volumetric share of waste, the total cost of remediation, and the financial viability of other companies that also sent waste to a given site and, in the case of divested operations, its contractual arrangement with the purchaser of such operations.

The potential costs related to the matters described below and the possible impact on future operations are uncertain due in part to the complexity of governmental laws and regulations and their interpretations, the varying costs and effectiveness of cleanup technologies, the uncertain level of insurance or other types of recovery and the questionable level of our responsibility. Although the ultimate outcome and expense of any litigation, including environmental remediation, is uncertain, we believe that the following proceedings will not have a material adverse effect on our consolidated financial position or results of operations.

In August 2004, the United States Environmental Protection Agency (EPA) notified Covanta Essex Company (Essex) that it was a potentially responsible party (PRP) for Superfund response actions in the Lower Passaic River Study Area, referred to as LPRSA, a 17 mile stretch of river in northern New Jersey. Essex is one of at least 73 PRPs named thus far that have joined the LPRSA PRP group. On May 8, 2007, EPA and the PRP group entered into an Administrative Order on Consent by which the PRP group is undertaking a Remedial Investigation/Feasibility Study (Study) of the LPRSA under EPA oversight. The cost to complete the Study is estimated at $75 million, in addition to EPA oversight costs. Essex s share of the Study costs to date are not material to its financial position and results of operations; however, the Study costs are exclusive of any costs that may be required of PRPs to remediate the LPRSA or costs associated with natural resource damages to the LPRSA that may be assessed against PRPs. On February 4, 2009, Essex and over 300 other PRPs were named as third-party defendants in a suit brought by the State of New Jersey Department of Environmental Protection (NJDEP) against Occidental Chemical Corporation and certain related entities (Occidental) with respect to alleged contamination of the LPRSA by Occidental. The Occidental third party complaint seeks contribution from the third-party defendants with respect to any award to NJDEP of damages against Occidental in the matter. Considering the history of industrial and other discharges into the LPRSA from other sources, including named PRPs, Essex believes any releases to the LPRSA from its facility to be de minimis in comparison; however, it is not possible at this time to predict that outcome with certainty or to estimate Essex s ultimate liability in the matter, including for LPRSA remedial costs and/or natural resource damages and/or contribution claims made by Occidental and/or other PRPs.

Other Matters

Other commitments as of June 30, 2009 were as follows (in thousands):

	Commitments Expiring by Period		
	Total	Less Than One Year	More Than One Year
Letters of credit	$ 289,888	$ 31,344	$ 258,544
Surety bonds	67,158		67,158
Total other commitments net	$ 357,046	$ 31,344	$ 325,702

The letters of credit were issued under various credit facilities (primarily the Funded L/C Facility) to secure our performance under various contractual undertakings related to our domestic and international projects or to secure obligations under our insurance program. Each letter of credit relating to a project is required to be maintained in effect for the period specified in related project contracts, and generally may be drawn if it is not renewed prior to expiration of that period.

We believe that we will be able to fully perform under our contracts to which these existing letters of credit relate, and that it is unlikely that letters of credit would be drawn because of a default of our performance obligations. If any of these letters of credit were to be drawn by the beneficiary, the amount drawn would be

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

immediately repayable by us to the issuing bank. If we do not immediately repay such amounts drawn under these letters of credit, unreimbursed amounts would be treated under the Credit Facilities as additional term loans in the case of letters of credit issued under the Funded L/C Facility, or as revolving loans in the case of letters of credit issued under the Revolving Loan Facility.

The surety bonds listed on the table above relate primarily to performance obligations ($58.2 million) and support for closure obligations of various energy projects when such projects cease operating ($9.0 million). Were these bonds to be drawn upon, we would have a contractual obligation to indemnify the surety company.

We have certain contingent obligations related to the Debentures. These are:

- holders may require us to repurchase their Debentures on February 1, 2012, February 1, 2017 and February 1, 2022;
- holders may require us to repurchase their Debentures, if a fundamental change occurs; and
- holders may exercise their conversion rights upon the occurrence of certain events, which would require us to pay the conversion settlement amount in cash and/or our common stock.

For specific criteria related to contingent interest, conversion or redemption features of the Debentures, refer to Note 6 of the Notes to Consolidated Financial Statements in our Form 8-K for the year ended December 31, 2008 filed on May 18, 2009.

We have certain contingent obligations related to the Notes. These are:

- holders may require us to repurchase their Notes, if a fundamental change occurs; and
- holders may exercise their conversion rights upon the occurrence of certain events, which would require us to pay the conversion settlement amount in cash.

For specific criteria related to contingent interest, conversion or redemption features of the Notes, see Note 6. Changes in Capitalization.

We have issued or are party to guarantees and related contractual support obligations undertaken pursuant to agreements to construct and operate domestic and international waste and energy facilities. For some projects, such performance guarantees include obligations to repay certain financial obligations if the project revenues are insufficient to do so, or to obtain or guarantee financing for a project. With respect to our domestic and international businesses, we have issued guarantees to municipal clients and other parties that our subsidiaries will perform in accordance with contractual terms, including, where required, the payment of damages or other obligations. Additionally, damages payable under such guarantees on our energy-from-waste facilities could expose us to recourse liability on project debt. If we must perform under one or more of such guarantees, our liability for damages upon contract termination would be reduced by funds held in trust and proceeds from sales of the facilities securing the project debt and is presently not estimable. Depending upon the circumstances giving rise to such domestic and international damages, the contractual terms of the applicable contracts, and the contract counterparty s choice of remedy at the time a claim against a guarantee is made, the amounts owed pursuant to one or more of such guarantees could be greater than our then-available sources of funds. To date, we have not incurred material liabilities under such guarantees, either on domestic or international projects.

COVANTA HOLDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Concluded)

Note 15. Subsequent Events

On July 3, 2009, we signed a definitive agreement to acquire from Veolia Environmental Services North America Corp. most of its North American energy-from-waste business for a purchase price of $450 million, less net debt (consolidated indebtedness net of cash and restricted funds held in trust) and subject to certain other adjustments. The operations to be acquired include seven energy-from-waste facilities, which are located in California, Florida, New York, Pennsylvania, and Vancouver, Canada. The operations also include a transfer station located in Pennsylvania. Each of the operations to be acquired includes a long-term operating contract with the respective municipal client. Six of the energy-from-waste facilities and the transfer station are publicly-owned facilities, and we will acquire a majority ownership stake in one energy-from-waste facility (Montgomery, Pennsylvania). Collectively, these seven energy-from-waste facilities process approximately 3 million tons of waste per year. We expect that the entire transaction will close by year end. However, the closing of the transaction may occur in stages and is conditioned upon receipt of customary regulatory and other approvals or consents. The failure to obtain certain approvals or consents may result in the removal of certain businesses from the transaction and a related price reduction.

Item 2. *MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

The terms we, our, ours, us, Covanta and Company refer to Covanta Holding Corporation and its subsidiaries following discussion addresses our financial condition as of June 30, 2009 and our results of operations for the three and six months ended June 30, 2009, compared with the same periods last year. It should be read in conjunction with our Audited Consolidated Financial Statements and Notes thereto for the year ended December 31, 2008 and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Form 8-K for the year ended December 31, 2008 filed on May 18, 2009, and in the interim unaudited financial statements and notes included in our Quarterly Reports on Form 10-Q/A for the period ended March 31, 2009, to which the reader is directed for additional information.

The preparation of interim financial statements necessarily relies heavily on estimates. Due to the use of estimates and certain other factors, such as the seasonal nature of our waste and energy services business, as well as competitive and other market conditions, we do not believe that interim results of operations are indicative of full year results of operations. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and classification of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

OVERVIEW

We are a leading developer, owner and operator of infrastructure for the conversion of waste to energy (known as energy-from-waste), as well as other waste disposal and renewable energy production businesses in the Americas, Europe and Asia. We are organized as a holding company and conduct all of our operations through subsidiaries which are engaged predominantly in the businesses of waste and energy services. We also engage in the independent power production business outside the United States.

We own, have equity investments in, and/or operate 60 energy generation facilities, 50 of which are in the United States and 10 of which are located outside the United States. Our energy generation facilities use a variety of fuels, including municipal solid waste, wood waste (biomass), landfill gas, water (hydroelectric), natural gas, coal, and heavy fuel-oil. We also own or operate several businesses that are associated with our energy-from-waste business, including a waste procurement business, a biomass procurement business, four landfills, which we use primarily for ash disposal, and several waste transfer stations.

On July 3, 2009, we signed a definitive agreement to acquire seven energy-from-waste businesses and a transfer station for approximately $450 million, less net debt (consolidated indebtedness net of cash and restricted funds held in trust) and subject to certain other adjustments, from Veolia Environmental Services North America Corporation. The energy-from-waste facilities are located in California, Florida, New York, Pennsylvania and Vancouver, Canada. We expect the entire transaction will close by year end. Additional information is provided in *Acquisitions and Business Development* below.

During the three months ended June 30, 2009, we issued $460 million aggregate principal amount of 3.25% Cash Convertible Senior Notes (the Notes) due 2014 for resale to certain qualified institutional buyers in compliance with Rule 144A under the Securities Act of 1933, as amended. In connection with the pricing of the Notes, we entered into privately negotiated cash convertible note hedge transactions and warrant transactions with affiliates of certain of the initial purchasers. Additional information, including material terms, is provided in *Liquidity and Capital Resources Available Sources of Liquidity*. We received proceeds of approximately $388.9 million, net of underwriting discounts, offering expenses, proceeds from the issuance of warrants, and purchase of convertible note hedge. We have used and

will use the net proceeds from the offering, together with the proceeds from the warrant transactions, for general corporate purposes, which may include capital expenditures, potential permitted investments or permitted acquisitions.

Our mission is to be the world s leading energy-from-waste company, with a complementary network of renewable energy generation and waste disposal assets. We expect to build value for our stockholders by satisfying

our clients waste disposal and energy generation needs with safe, reliable and environmentally superior solutions. In order to accomplish this mission and create additional value for our stockholders, we are focused on:

- providing customers with superior service and effectively managing our existing businesses;
- generating sufficient cash to meet our liquidity needs and invest in the business; and
- developing new projects and making acquisitions to grow our business in the Americas, Europe and Asia.

We believe that our business offers solutions to public sector leaders around the world in two related elements of critical infrastructure: waste disposal and renewable energy generation. We believe that the environmental benefits of energy-from-waste, as an alternative to landfilling, are clear and compelling: by processing municipal solid waste in energy-from-waste facilities we reduce greenhouse gas (GHG) emissions, lower the risk of groundwater contamination, and conserve land. At the same time, energy-from-waste generates clean, reliable energy from a renewable fuel source, thus reducing dependence on fossil fuels, the combustion of which is itself a major contributor to GHG emissions. As public planners in the Americas, Europe and Asia address their needs for more environmentally sustainable waste disposal and energy generation in the years ahead, we believe that energy-from-waste will be an increasingly attractive alternative. We will also consider, for application in domestic and international markets, acquiring or developing new technologies that complement our existing renewable energy and waste services businesses.

Our business offers sustainable solutions to energy and environmental problems, and our corporate culture is increasingly focused on themes of sustainability in all of its forms. We aspire to continuous improvement in environmental performance, beyond mere compliance with legally required standards. This ethos is embodied in our Clean World Initiative , an umbrella program under which we are:

- investing in research and development of new technologies to enhance existing operations and create new business opportunities in renewable energy and waste management;
- exploring and implementing processes and technologies at our facilities to improve energy efficiency and lessen environmental impacts; and
- partnering with governments and non-governmental organizations to pursue sustainable programs, reduce the use of environmentally harmful materials in commerce and communicate the benefits of energy-from-waste.

Our Clean World Initiative is designed to be consistent with our mission to be the world s leading energy-from-waste company by providing environmentally superior solutions, advancing our technical expertise and creating new business opportunities. It represents an investment in our future that we believe will enhance stockholder value.

In order to create new business opportunities and benefits and enhance stockholder value, we are actively engaged in the current discussion among policy makers in the United States regarding the benefits of energy-from-waste and the reduction of our dependence on landfilling for waste disposal and fossil fuels for energy. Given the current economic dislocations and related unemployment, the Obama administration is also expected to focus on economic stimulus and job creation. We believe that the construction and permanent jobs created by additional energy-from-waste development represents the type of green jobs , on critical infrastructure, that will be consistent with the administration s focus. The extent to which we are successful in growing our business will depend in part on our ability to effectively communicate the benefits of energy-from-waste to public planners seeking waste disposal solutions, and to policy makers seeking to encourage renewable energy technologies (and the associated green jobs) as viable alternatives to reliance on fossil fuels as a source of energy.

The United States Congress is currently debating proposals designed to encourage two broad policy objectives: increased renewable energy generation, and reduction of fossil fuel usage and related GHG emissions. The United States House of Representatives passed a bill known as the America Clean Energy and Security Act of 2009 (ACES) which addresses both topics, by means of a phased-in national renewable energy standard and a cap-and-trade system to reduce GHG emissions. Energy-from-waste and biomass have generally been included in the ACES bill to be among the technologies that help to achieve both of these policy objectives. Similar proposals are being considered in the United States Senate. While legislation is far from final and a vigorous debate is expected when the House and Senate bills are reconciled, we believe the direction of Congressional efforts is

consistent with the Obama administration s objectives on energy policy reform and could create additional growth opportunities for our business and increase energy revenue from existing facilities.

Our senior management team has extensive experience in developing, constructing, operating, acquiring and integrating waste and energy services businesses. We intend to continue to focus our efforts on pursuing development and acquisition-based growth. We anticipate that a part of our future growth will come from acquiring or investing in additional energy-from-waste, waste disposal and renewable energy production businesses in the Americas, Europe and Asia. Our business is capital intensive because it is based upon building and operating municipal solid waste processing and energy generating projects. In order to provide meaningful growth through development, we must be able to invest our funds, obtain equity and/or debt financing, and provide support to our operating subsidiaries.

Economic Factors Affecting Business Conditions

The ongoing economic slowdown, both in the United States and internationally, has reduced demand for goods and services generally, which tends to reduce overall volumes of waste requiring disposal, and the pricing at which we can attract waste to fill available capacity. At the same time, the declines in global natural gas and other fossil fuel prices have pushed electricity and steam pricing lower generally which causes lower revenue for the portion of the energy we sell which is not under fixed price contracts. Lastly, the downturn in economic activity tends to reduce global demand for and pricing of certain commodities, such as the scrap metals we recycle from our energy-from-waste facilities. The combination of these factors could reduce our revenue and cash flow.

The same economic slowdown may reduce the demand for the waste disposal services and the energy that our facilities offer. Many of our customers are municipalities and public authorities, which are generally experiencing fiscal pressure as local and central governments seek to reduce expenses in order to address declining tax revenues which may result from the slowdown and increases in unemployment. At the same time, dislocations in the financial sector may make it more difficult, and more costly, to finance new projects. These factors, particularly in the absence of energy policies which encourage renewable technologies such as energy-from-waste, may make it more difficult for us to sell waste disposal services or energy at prices sufficient to allow us to grow our business through developing and building new projects.

Acquisitions and Business Development

In our domestic business, we are pursuing additional growth opportunities through project expansions, new energy-from-waste and other renewable energy projects, contract extensions, acquisitions, and businesses ancillary to our existing business, such as additional waste transfer, transportation, processing and disposal.

We are also pursuing international waste and/or renewable energy business opportunities, particularly in locations where the market demand, regulatory environment or other factors encourage technologies such as energy-from-waste to reduce dependence on landfilling for waste disposal and fossil fuels for energy production in order to reduce GHG emissions. In particular, we are focusing on the United Kingdom, Ireland and China, and are also pursuing opportunities in certain markets in Europe and in Canada and other markets in the Americas.

2009 acquisitions, business development and dispositions

Domestic Business:

We signed a definitive agreement to acquire from Veolia Environmental Services North America Corp. most of its North American energy-from-waste business for a purchase price of $450 million, less net debt (consolidated indebtedness net of cash and restricted funds held in trust) and subject to certain other

adjustments. The operations to be acquired include seven energy-from-waste facilities, which are located in California, Florida, New York, Pennsylvania, and Vancouver, Canada. The operations also include a transfer station located in Pennsylvania. Each of the operations to be acquired includes a long-term operating contract with the respective municipal client. Six of the energy-from-waste facilities and the transfer station are publicly-owned facilities, and we will acquire a majority ownership stake in one energy-from-waste facility (Montgomery, Pennsylvania). Collectively, these seven energy-from-waste facilities process approximately 3 million tons of waste per year. We expect that the entire transaction will close by year end. However, the closing of the transaction may occur in stages and is conditioned upon receipt of

customary regulatory and other approvals or consents. The failure to obtain certain approvals or consents may result in the removal of certain businesses from the transaction and a related price reduction.

Our long-term operating contract with the Greater Detroit Resource Recovery Authority (GDRRA) to operate the 2,832 tons per day (tpd) energy-from-waste facility located in Detroit, Michigan (the Detroit Facility) expired on June 30, 2009. Effective June 30, 2009, we entered into the following transactions, which extend our interest in the Detroit Facility:

- We purchased an undivided 30% owner participant interest in the Detroit Facility and final working capital for total cash consideration of approximately $7.9 million.
- We entered into an operating and maintenance agreement with owners of the Detroit Facility, pursuant to which we will operate, maintain and provide certain other services for the owners at the Detroit Facility for a term of one year.
- We entered into a waste disposal agreement with GDRRA pursuant to which we will dispose of the waste of the City of Detroit for a term of at least one year. The term of the waste disposal agreement will automatically renew for successive one-year terms unless either party provides advance written notice of termination in accordance with the provisions thereof. In addition, as an owner participant, we have the right, on one or more occasions, to call upon GDRRA to deliver the waste of the City of Detroit to the Detroit Facility at market-based rates. The call right continues for the duration of the participation agreement, which expires in 2035.

We have not finalized negotiation of pricing for a new steam agreement for the Detroit Facility. Securing a steam agreement with appropriate pricing is important for the long-term economic viability of the Detroit Facility.

We acquired two waste transfer stations with combined capacity of 4,500 tpd in Philadelphia, Pennsylvania for cash consideration of approximately $17.5 million, subject to final working capital adjustments.

International Business:

We entered into agreements to terminate our joint venture with Guangzhou Development Power Investment Co., Ltd. (GDPI) and to sell our 40% equity interest in the joint venture entity, Guangzhou Development Covanta Environmental Energy Co., Ltd., at book value to an affiliate of GDPI for approximately $1.2 million. The termination and sale are conditional upon various regulatory and other conditions precedent and is expected to close later this year. Notwithstanding the termination and sale, we intend to continue to cooperate with GDPI on the development of energy-from-waste projects in Guangdong Province, People s Republic of China on a project by project basis.

2008 acquisitions and business development

Domestic Business:

We acquired Indeck Maine Energy, LLC which owned and operated two biomass energy facilities. The two nearly identical facilities, located in West Enfield and Jonesboro, Maine, added a total of 49 gross megawatts (MW) to our renewable energy portfolio. We sell the electric output and renewable energy credits from these facilities into the New England market. We acquired these two facilities for cash consideration of approximately $53.4 million, net of cash acquired, inclusive of final working capital adjustments.

We acquired an energy-from-waste facility in Tulsa, Oklahoma for cash consideration of approximately $12.7 million. The design capacity of the facility is 1,125 tpd of waste and gross electric capacity of 16.5 MW. This facility was shut down by the prior owner in the summer of 2007 and we returned two of the facility s

three boilers to service in November 2008. Since the acquisition of this energy-from-waste facility, we have invested approximately $5.3 million in capital improvements to restore its operational performance.

We acquired a landfill for the disposal of ash in Peabody, Massachusetts from Peabody Monofill Associates, Inc. and others for cash consideration of approximately $7.4 million.

We entered into new tip fee contracts which will supply waste to the Wallingford, Connecticut facility, following the expiration of the existing service fee contract in 2010. These contracts in total are expected to supply waste utilizing most or all of the facility s capacity through 2020.

We entered into a new tip fee contract with Kent County in Michigan which commenced on January 1, 2009 and extended the existing contract from 2010 to 2023. This contract is expected to supply waste utilizing most or all of the facility s capacity. Previously this was a service fee contract.

We entered into a new service fee contract with the Pasco County Commission in Florida which commenced on January 1, 2009 and extended the existing contract from 2011 to 2016.

We entered into a new tip fee contract with the City of Indianapolis for a term of 10 years which commenced upon expiration of the existing service fee contract in December 2008. This contract represents approximately 50% of the facility s capacity.

We entered into various agreements with multiple partners to invest in the development, testing or licensing of new technologies related to the transformation of waste materials into renewable fuels or the generation of energy. Initial licensing fees and demonstration unit purchases approximated $6.5 million and $1.4 million during the year ended December 31, 2008 and six months ended June 30, 2009, respectively.

International Business:

We entered into an agreement with Beijing Baoluo Investment Co., Ltd. (Beijing Baoluo) to purchase a direct 58% equity interest in the Fuzhou project, a 1,200 metric tpd 24 MW mass-burn energy-from-waste project in China for approximately $14 million. We currently hold a noncontrolling interest in this project. This purchase was conditional upon various regulatory and other conditions precedent and was expected to close in the second quarter of 2009. Conditions required for closing were not achieved and Beijing Baoluo informed us that it no longer desired to proceed to closing the sale. We continue to hold a noncontrolling interest in this project.

Under Advanced Development/Construction

Domestic Business:

We entered into a ten year agreement to maintain and operate an 800 tpd energy-from-waste facility located in Harrisburg, Pennsylvania and obtained a right of first refusal to purchase the facility. We have also agreed to provide construction management services and to advance up to $25.5 million in funding for certain facility improvements required to enhance facility performance, the repayment of which is guaranteed by the City of Harrisburg. As of June 30, 2009, we advanced $15.9 million under this funding arrangement. The facility improvements are expected to be completed in the second half of 2009. On July 1, 2009, the first repayment installment on the advance was due but not paid. We are pursuing efforts to collect the past due amount, and to ensure that other amounts we have advanced will be repaid when due.

We designed, constructed, operate and maintain the 1,200 tpd mass-burn energy-from-waste facility located in and owned by Hillsborough County in Florida. In 2005, we entered into agreements with Hillsborough County to implement an expansion of this energy-from-waste facility, and to extend the agreement under which we operate the facility to 2027. Completion of the expansion, and commencement of the operation of the expanded project, is expected in the second half of 2009.

International Business:

We have entered into definitive agreements for the development of a 1,700 metric tpd energy-from-waste project serving the City of Dublin, Ireland and surrounding communities. The Dublin project, which marks our most significant entry to date into the European waste and renewable energy markets, is being developed and will be owned by Dublin Waste to Energy Limited, which we control and co-own with DONG Energy Generation A/S.

We are responsible for the design and construction of the project, which is estimated to cost approximately 350 million and will require 36 months to complete, once full construction commences. We will operate

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and maintain the project for Dublin Waste to Energy Limited, which has a 25-year tip fee type contract with Dublin to provide disposal service for approximately 320,000 metric tons of waste annually. The project is structured on a build-own-operate-transfer model, where ownership will transfer to Dublin after the 25-year term, unless extended. The project is expected to sell electricity into the local grid under short-term arrangements. We and DONG Energy Generation A/S have committed to provide financing for all phases of the project, and we expect to utilize debt financing for the project. The primary approvals and licenses for the project have been obtained, and any remaining consents, approvals and conditions necessary to begin full construction are expected to be obtained in due course. We have begun to perform preliminary on-site work and expect to commence full construction in the second half of 2009.

Our joint venture, Taixing Covanta Yanjiang Cogeneration Co., Ltd., of which we own 85%, entered into a 25 year concession agreement and waste supply agreements to build, own and operate a 350 metric tpd energy-from-waste facility for Taixing Municipality, in Jiangsu Province, People s Republic of China. The project, which will be built on the site of our existing coal-fired facility in Taixing, will supply steam to an adjacent industrial park under short-term arrangements. The Taixing project is expected to commence construction in the second half of 2009 and be completed in 2011.

We and Chongqing Iron & Steel Company (Group) Limited have entered into a 25 year contract to build, own, and operate an 1,800 metric tpd energy-from-waste facility for Chengdu Municipality in Sichuan Province, People s Republic of China. In connection with this award, we invested $17.1 million for a 49% equity interest in the project joint venture company. The joint venture has obtained project financing for Rmb 480 million for the project, which we expect to be 49% guaranteed by us and 51% guaranteed by Chongqing Iron & Steel Company (Group) Limited until the project has been constructed and for one year after operations commence. The Chengdu project is expected to commence construction in the third quarter of 2009.

Business Segments

Our reportable segments are Domestic and International, which are comprised of our domestic and international waste and energy services operations, respectively.

Domestic

For all energy-from-waste projects, we receive revenue from two primary sources: fees charged for operating projects or processing waste received and payments for electricity and steam sales. We also operate, and in some cases have ownership interests in, transfer stations and landfills which generate revenue from waste and ash disposal fees or operating fees. In addition, we own and in some cases operate, other renewable energy projects in the United States which generate electricity from wood waste (biomass), landfill gas, and hydroelectric resources. The electricity from these other renewable energy projects is sold to utilities. For these projects, we receive revenue from electricity sales, and in some cases cash from equity distributions.

International

We have ownership interests in and/or operate facilities internationally, including independent power production facilities in the Philippines, Bangladesh and India where we generate electricity by combusting coal, natural gas and heavy fuel-oil, and energy-from-waste facilities in China and Italy. We receive revenue from operating fees, electricity and steam sales, and in some cases cash from equity distributions.

Contract Structures

Most of our energy-from-waste projects were developed and structured contractually as part of competitive procurement processes conducted by municipal entities. As a result, many of these projects have common features. However, each service agreement is different reflecting the specific needs and concerns of a client community, applicable regulatory requirements and other factors. Often, we design the facility, help to arrange for financing and then we either construct and equip the facility on a fixed price and schedule basis, or we undertake an alternative role, such as construction management, if that better meets the goals of our municipal client. Following construction and during operations, we receive revenue from two primary sources: fees we receive for operating projects or for processing waste received, and payments we receive for electricity and/or steam we sell.

We have 22 domestic energy-from-waste projects where we charge a fixed fee (which escalates over time pursuant to contractual indices that we believe are appropriate to reflect price inflation) for operation and maintenance services. We refer to these projects as having a Service Fee structure. Our contracts at Service Fee projects provide revenue that does not materially vary based on the amount of waste processed or energy generated and as such is relatively stable for the contract term. In addition, at most of our Service Fee projects, the operating subsidiary retains only a fraction of the energy revenues generated, with the balance used to provide a credit to the municipal client against its disposal costs. Therefore, in these projects, the municipal client derives most of the benefit and risk of energy production and changing energy prices.

We also have 16 energy-from-waste projects (13 domestic and 3 international) at which we receive a per-ton fee under contracts for processing waste. We refer to these projects as having a Tip Fee structure. At Tip Fee projects, we generally enter into long-term waste disposal contracts for a substantial portion of project disposal capacity and retain all of the energy revenue generated. These Tip Fee service agreements include stated fixed fees earned by us for processing waste up to certain base contractual amounts during specified periods. These Tip Fee service agreements also set forth the per-ton fees that are payable if we accept waste in excess of the base contractual amounts. The waste disposal and energy revenue from these projects is more dependent upon operating performance and, as such, is subject to greater revenue fluctuation to the extent performance levels fluctuate.

Under both structures, our returns are expected to be stable if we do not incur material unexpected operation and maintenance costs or other expenses. In addition, most of our energy-from-waste project contracts are structured so that contract counterparties generally bear, or share in, the costs associated with events or circumstances not within our control, such as uninsured force majeure events and changes in legal requirements. The stability of our revenues and returns could be affected by our ability to continue to enforce these obligations. Also, at some of our energy-from-waste facilities, commodity price risk is mitigated by passing through commodity costs to contract counterparties. With respect to our other domestic renewable energy projects and international independent power projects, such structural features generally do not exist because either we operate and maintain such facilities for our own account or we do so on a cost-plus basis rather than a fixed-fee basis.

We generally sell the energy output from our projects to local utilities pursuant to long-term contracts. Where a Service Fee structure exists, our client community usually retains most (generally 90%) of the energy revenues generated and pays the balance to us. Where Tip Fee structures exist, we generally retain 100% of the energy revenues. At several of our energy-from-waste projects, we sell energy output under short-term contracts or on a spot-basis to our customers. At our Tip Fee projects, we generally have a greater exposure to energy market price fluctuation, as well as a greater exposure to variability in project operating performance.

We receive the majority of our revenue under short and long term contracts, with little or no exposure to price volatility, but with adjustments intended to reflect changes in our costs. Where our revenue is received under other arrangements and depending upon the revenue source, we have varying amounts of exposure to price volatility. The largest component of this revenue is comprised of waste revenue, which has generally not been subject to material price volatility. Energy and metal pricing tends to be more volatile. During the second and third quarters of 2008, pricing for energy and recycled metals reached historically high levels and has subsequently declined materially.

At some of our domestic renewable energy and international independent power projects, our operating subsidiaries purchase fuel in the open markets which exposes us to fuel price risk. At other plants, fuel costs are contractually included in our electricity revenues, or fuel is provided by our customers. In some of our international projects, the project entity (which in some cases is not our subsidiary) has entered into long-term fuel purchase contracts that protect the project from fuel shortages, provided counterparties to such contracts perform their commitments.

Seasonal Effects

Our quarterly operating income from domestic and international operations within the same fiscal year typically differs substantially due to seasonal factors, primarily as a result of the timing of scheduled plant maintenance. We typically conduct scheduled maintenance periodically each year, which requires that individual boiler units temporarily cease operations. During these scheduled maintenance periods, we incur material repair

and maintenance expenses and receive less revenue until the boiler units resume operations. This scheduled maintenance typically occurs during periods of off-peak electric demand in the spring and fall. The spring scheduled maintenance period is typically more extensive than scheduled maintenance conducted during the fall. As a result, we typically incur the highest maintenance expense in the first half of the year. Given these factors, we typically experience lower operating income from our projects during the first six months of each year and higher operating income during the second six months of each year.

Contract Duration

We operate energy-from-waste projects under long-term agreements. For those projects we own, our contract to sell the project s energy output (either electricity or steam) generally expires at or after the date when the initial term of our contract to operate or receive waste also expires. Expiration of these contracts will subject us to greater market risk in maintaining and enhancing revenues as we enter into new contracts. Following the expiration of the initial contracts, we intend to enter into replacement or additional contracts for waste supplies and will sell our energy output either into the regional electricity grid or pursuant to new contracts. Because project debt on these facilities will be paid off at such time, we believe that we will be able to offer disposal services at rates that will attract sufficient quantities of waste and provide acceptable revenues. For those projects we operate but do not own, prior to the expiration of the initial term of our operating contract, we will seek to enter into renewal or replacement contracts to continue operating such projects. We will seek to bid competitively in the market for additional contracts to operate other facilities as similar contracts of other vendors expire.

RESULTS OF OPERATIONS

The comparability of the information provided below with respect to our revenues, expenses and certain other items was affected by several factors. As outlined above under *Acquisitions and Business Development,* our acquisition and business development initiatives resulted in various additional projects which increased comparative 2009 revenues and expenses. These factors must be taken into account in developing meaningful comparisons between the periods compared below. The following general discussions should be read in conjunction with the condensed consolidated financial statements and the Notes thereto and other financial information appearing and referred to elsewhere in this report.

Effective January 1, 2009, we adopted the following pronouncements which required us to retrospectively restate previously disclosed condensed consolidated financial statements. Certain prior period amounts have thus been reclassified in the unaudited condensed consolidated financial statements to conform to the current period presentation.

We adopted Statement of Financial Accounting Standards (SFAS) No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin (ARB) No. 51 (SFAS 160). SFAS 160 amends the accounting and reporting for noncontrolling interests in a consolidated subsidiary and the deconsolidation of a subsidiary. Under SFAS 160, we now report minority interests in subsidiaries (now referred to as noncontrolling interests in subsidiaries) as a separate component of equity in our condensed consolidated financial statements and show both net income attributable to the noncontrolling interest and net income attributable to the controlling interest on the face of the condensed consolidated income statement. SFAS 160 applies prospectively, except for presentation and disclosure requirements, which are applied retrospectively.

We adopted Financial Accounting Standards Board (FASB) Staff Position (FSP) No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1). FSP APB 14-1 is effective for our 1.00% Senior Convertible Debentures (the Debentures) and requires retrospective application for all periods presented. The FSP requires the issuer of

convertible debt instruments with cash settlement features to separately account for the liability and equity components of the instrument. FSP APB 14-1 also requires accretion of the resultant debt discount over the expected life of the Debentures, which is February 1, 2007 to February 1, 2012, the first permitted redemption date of the Debentures. The condensed consolidated income statements were

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retrospectively modified compared to previously reported amounts as follows (in millions, except per share amounts):

	Three Months Ended June 30, 2008	Six Months Ended June 30, 2008
Additional pre-tax non-cash convertible debt related expense	$ (4.5)	$ (8.8)
Additional deferred tax benefit	1.9	3.7
Retrospective change in net income and retained earnings	$ (2.6)	$ (5.1)
Change to basic earnings per share	$ (0.01)	$ (0.03)
Change to diluted earnings per share	$ (0.02)	$ (0.04)

For the three and six months ended June 30, 2009, the additional pre-tax non-cash convertible debt related expense recognized in our condensed consolidated income statement related to the adoption of FSP APB 14-1 was $4.8 million and $9.5 million, respectively.

Consolidated Results of Operations Comparison of Results for the Three and Six Months Ended June 30, 2009 vs. Results for the Three and Six Months Ended June 30, 2008

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		Var Increase/ Three Month
	2009	2008 (As Adjusted)	2009	2008 (As Adjusted)	
			(Unaudited, in thousands)		
ED RESULTS OF OPERATIONS:					
revenues	$ 375,786	$ 422,996	$ 734,546	$ 811,762	$ (47,210
expenses	314,454	346,467	670,022	704,468	(32,013
ne	61,332	76,529	64,524	107,294	(15,197
Expense):					
me	1,156	1,052	2,184	2,692	104
:	(8,532)	(11,563)	(16,448)	(25,283)	(3,031
ertible debt related expense	(6,395)	(4,453)	(11,097)	(8,827)	1,942
ense	(13,771)	(14,964)	(25,361)	(31,418)	(1,193
	47,561	61,565	39,163	75,876	(14,004

ncome tax expense, equity in net income from unconsolidated
l noncontrolling interests in subsidiaries

ense	(17,901)	(24,361)	(14,583)	(30,032)	(6,460)

suance of additional common stock may enable us to increase
mount of our leverage or to maintain any existing leverage. We
t at any time to use financial leverage to the extent permitted
: (50% of Total Assets for preferred stock and 33 1 / 3 % of
· senior debt securities) or we may elect to reduce the use of
no leverage at all. Our Board of Directors has approved a
of up to 25% of our Total Assets at the time of incurrence and
ed a policy permitting temporary increases in the amount of
y use from 25% of our Total Assets to up to 30% of our Total
ne of incurrence, provided (i) that such leverage is consistent
et forth in the 1940 Act, and (ii) that we expect to reduce such
ge over time in an orderly fashion. We generally will not use
we believe that leverage will serve the best interests of our
ne principal factor used in making this determination is
ential return is likely to exceed the cost of leverage. We will
onal leverage where the estimated costs of issuing such
e on-going cost of servicing the payment obligations on such
the estimated return on the proceeds of such leverage. We
hat in making the determination of whether to issue leverage,
estimates of leverage costs and expected returns. Actual costs
y over time depending on interest rates and other factors. In
rcentage of our assets attributable to leverage may vary
ring periods of extreme market volatility and will increase
of declining market prices of our portfolio holdings. Actual
pending on many factors. The Board of

vill consider other factors, including whether the current
ortunities will help us achieve our investment objective and

, 2013, we had outstanding $255 million of Notes. The Series
December 15, 2013, the Series B Notes mature December 15,
C Notes mature December 15, 2017, the Series D Notes
er 15, 2020, the Series E Notes mature December 15, 2015,
tes mature May 12, 2014 and the Series G Notes mature May
rs of the Notes are entitled to receive quarterly cash interest
Series A, Series B, Series C, Series D and Series G Notes
it fixed rates (2.48%, 3.14%, 3.73%, 4.29% and 4.35%,
d the Series E and Series F Notes accrue interest at an annual
each quarter based on the 3-month LIBOR plus 1.70% and
vely. As of March 22, 2013, the effective rate was 1.98% on
tes and 1.64% on the Series F Notes.

, 2013, we had outstanding 3,600,000 MRP Shares. The MRP
quidation value of $25.00 per share plus any accumulated but
ions, whether or not declared Holders of the MRP Shares are
ve cash interest payments each quarter at a fixed rate until
n date. The Series A MRP Shares have a redemption date of
015 and accrue distributions at a rate of 3.69%. The Series B
ve a redemption date of December 15, 2017 and accrue
a rate of 4.33%.

shed an unsecured credit facility with Bank of America, N.A.
allows us to borrow up to $60 million. Outstanding balances
facility generally accrue interest at a variable annual rate
-month LIBOR rate plus 1.25%, with a fee of 0.20% on any
of the credit facility. As of March 22, 2013, the effective rate
credit facility remains in effect through June 17, 2013. We
to seek to renew the credit facility at an amount sufficient to
ing needs. We may draw on the facility from time to time to
s in accordance with our investment policies and for general
ses. As March 22, 2013, we had outstanding $25.1 million
facility.

s a greater risk of loss, as well as potential for more gain, for
ck than if leverage is not used. Leverage capital would have
y upon distribution of assets over common stock. We expect
proceeds derived from any use or issuance of leverage capital
investment objectives and strategies described in this
ong as our portfolio is invested in securities that provide a
turn than the dividend rate or interest rate of the leverage
ing its related expenses into consideration, the leverage will
non stockholders to receive a higher rate of income than if we
ged. Conversely, if the return derived from such securities is
st of leverage (including increased expenses to us), our total

ss than if leverage had not been used, and, therefore, the
e for distribution to our common stockholders will be
latter case, our Adviser in its best judgment nevertheless may
intain our leveraged position if it expects that the long term
common stockholders of so doing will outweigh the current
There is no assurance that we will utilize leverage capital or, if
is utilized, that those instruments will be successful in
evel of our total return. The NAV of our common stock will be
fees and issuance costs of any leverage capital.

urance that outstanding amounts we borrow may be prepayable
nal maturity without significant penalty, but we do not expect
d or mandatory retirement provisions. Outstanding amounts
le at maturity or such earlier times as we may agree. We may
repay outstanding amounts or incur a penalty rate of interest in
occurrence of certain events of default. We may be expected
r lenders, particularly any banks, against liabilities they may
their loan to us. We may also be required to secure any
ved from a bank by pledging our investments as collateral.

s risk for holders of our common stock, including the
eater volatility of our NAV and the value of our shares, and
uations in interest rates on leverage capital, which may affect
holders of our common stocks or cause fluctuations in the
id on our common shares. The fee paid to our Adviser will be
e basis of our Managed Assets, including proceeds from
. During periods in which we use leverage, the fee payable to
l be higher than if we did not use leverage. Consequently, we
r may have differing interests in determining whether to
sets. Our Board of Directors will monitor our use of leverage
al conflict.

Act, we are not permitted to issue preferred stock unless
er such issuance, the value of our total assets (including the
h issuance) less all liabilities and indebtedness not represented
ties is at least equal to 200% of the total of the aggregate
r securities representing indebtedness plus the aggregate
e of any outstanding preferred stock. Stated another way, we
referred stock that, together with outstanding preferred stock
ies, has a total aggregate liquidation value and outstanding
t of more than 50% of the value of our Total Assets, including
such issuance, less liabilities and indebtedness not represented
ties. In addition, we are not permitted to declare any
our common stock, or purchase any of our shares of common
ender offers or otherwise) unless we would satisfy this 200%
equirement test after deducting the amount of such
hare price, as the case may be. We may, as a result of market
herwise, be required to purchase or redeem preferred stock, or
our investments when it may be disadvantageous to do so, in
n the required asset coverage. Common stockholders would
f issuing additional preferred stock, which may include
es and the ongoing payment of distributions. Under the 1940
ly issue one class of preferred stock.

Act, we are not permitted to issue debt securities or incur
ess constituting senior securities unless immediately
alue of our Total Assets less all liabilities and indebtedness
by senior securities is at least equal to 300% of the amount of
indebtedness. Stated another way, we may not issue debt
ur other indebtedness with an aggregate principal amount of
/ 3 % of the value of our Total Assets, including the amount
ll liabilities and indebtedness not represented by senior
lso must maintain this 300% "asset coverage" for as long as the
outstanding. The 1940 Act provides that we may not declare
on any class of shares of our stock, or purchase any of our
(through tender offers or otherwise), unless we would satisfy
coverage requirement test after deducting the amount of the
hare purchase price, as the case may be, except that dividends
d upon any preferred stock if such senior security representing
s an asset coverage of at least 200% at the time of declaration
ducting the amount of such distribution. If the asset coverage
s declines to less than 300% as a result of market fluctuations
e may be required to redeem debt securities, or sell a portion
nts when it may be disadvantageous to do so. Under the 1940
ly issue one class of senior securities representing
So long as Notes are outstanding, any debt securities offered
prospectus and any related prospectus supplement will rank
ny outstanding Notes.

es

nted below presents our annual expenses stated as a percentage
. Assets, which includes assets attributable to leverage.

e	0.95%
(excluding current and e tax expenses)	0.07%
	1.02%
	0.85%
xpense Reimbursement	(0.20)%
xpenses (excluding current come tax expenses)	1.67%

ctions

reduce the interest rate risk arising from our leveraged capital
ay use interest rate transactions such as swaps, caps and floors.
rance that the interest rate hedging transactions into which we
fective in reducing our exposure to interest rate risk. Hedging
subject to correlation risk, which is the risk that payment on
nsactions may not correlate exactly with our payment
enior securities. The use of interest rate transactions is a
ed activity that involves investment techniques and risks
hose associated with ordinary portfolio security transactions.
te swap, we would agree to pay to the other party to the
ap (known as the "counterparty") a fixed rate payment in
e counterparty agreeing to pay to us a variable rate payment
roximate our variable rate payment obligations on outstanding
ayment obligations would be based on the notional amount of
interest rate cap, we would pay a premium to

y up to the interest rate cap and, to the extent that a specified
dex exceeds a predetermined fixed rate of interest, would
e counterparty payments equal to the difference based on the
t of such cap. In an interest rate floor, we would be entitled to
xtent that a specified index falls below a predetermined
yments of interest on a notional principal amount from the
e interest rate floor. Depending on the state of interest rates in
of interest rate transactions could affect our ability to make
t or distribution payments on our outstanding leverage. To the
decline in interest rates, the value of the interest rate
ld decline. If the counterparty to an interest rate transaction
uld not be able to use the anticipated net receipts under the
nsaction to offset our cost of financial leverage. We intend to
ctions only with counterparties that meet certain standards of
s set by our Adviser and to continually monitor the
s of any counterparties.

e not obligated to, enter into interest rate swap transactions
ce our interest rate risk with respect to our interest and
ment obligations under our outstanding leverage. See "Risk
ng Strategy Risk."

rage

r 30, 2012, we were obligated to pay the following rates on
Notes, MRP Shares and unsecured revolving credit facility.

y		Aggregate Principal Amount	Remaining Term	Interest Rate per Annum	
	$	12,000,000	1.0 years thru 12/15/2013	2.48	%
	$	24,000,000	3.0 years thru 12/15/2015	3.14	%
	$	57,000,000	5.0 years thru 12/15/2017	3.73	%
	$	112,000,000	8.0 years thru 12/15/2020	4.29	%
	$	25,000,000	3.0 years thru 12/15/2015	2.09(1)	%

$	15,000,000	1.4 years thru 5/12/2014	1.66(2)%
$	10,000,000	5.4 years thru 5/12/2018	4.35 %
$	25,000,000	3.0 years thru 12/15/2015	3.69 %
$	65,000,000	5.0 years thru 12/15/2017	4.33 %
$	23,900,000		1.46 %

it

e; rate as of November 30, 2012 was 2.09%.
e; rate as of November 30, 2012 was 1.66%.
mber 30, 2012, we had an unsecured credit facility that
e 17, 2013. Outstanding balances on the credit facility accrue
nual rate equal to one-month LIBOR plus 1.25%, with a fee of
nused balance of the credit facility.

he interest rates payable on the Notes and unsecured revolving
main as described above (an average annual cost of 3.76%
nount of leverage outstanding at November 30, 2012), the
at our portfolio must experience net of expenses, but
red and current taxes, in order to cover leverage costs would

able is designed to illustrate the effect of leverage on the
mon stockholder, assuming hypothetical annual returns (net of
r portfolio of (10)% to 10%. As the table shows, the leverage
ses the return to common stockholders when portfolio return
eater than the cost of leverage and decreases the return when
urn is negative or less than the cost of leverage. The figures
e table are hypothetical, and actual returns may be greater or
appearing in the table.

Assumed Portfolio Return (Net of Expenses)				
(10)%	(5)%	0%	5%	10%
(16.43)%	(9.39)%	(2.35)%	4.70%	11.74%

leverage, the amount of the fees paid to our Adviser for
sory and management services are higher than if we did not
cause the fees paid are calculated based on our Managed
nclude assets purchased with leverage. Therefore, our Adviser
ncentive to use leverage, which creates a conflict of interest
viser and our common stockholders. Because payments on
ould be paid by us at a specified rate, only our common
ould bear management fees and other expenses we incur.

achieve the benefits of leverage until we have invested the
ng from the use of leverage in accordance with our investment
licies. For further information about leverage, see "Risk
age Risk."

RISK FACTORS

securities involves risk, including the risk that you may
no return on your investment or even that you may lose part or
stment. Therefore, before investing in our securities you
carefully the following risks, as well as any risk factors
applicable prospectus supplement.

e a non-diversified, closed-end management investment
ave a limited operating history and a limited history of public
ommon shares. We are designed primarily as a long-term
cle and not as a trading tool. An investment in our securities
titute a complete investment program for any investor and
degree of risk. Due to the uncertainty in all investments, there
ance that we will achieve our investment objective.

isk. Under normal circumstances, we will concentrate our
he energy infrastructure sector, and will invest in a portfolio
arily of energy infrastructure MLPs and their affiliates, with an
tural gas infrastructure MLPs. Risks inherent in the business of
ILPs and their affiliates include the following:

ty of MLPs, particularly processing and pipeline MLPs, may
mpacted by the volume of natural gas or other energy
vailable for transporting, processing, storing or distributing. A
rease in the production of natural gas, oil or other energy
due to a decline in production from existing facilities, import
on, depressed commodity prices or otherwise, would reduce

perating income of MLPs and, therefore, the ability of MLPs to
ions to partners.

LPs and propane MLPs may be directly affected by energy
ces. The volatility of commodity prices can indirectly affect
MLPs due to the impact of prices on the volume of
ransported, processed, stored or distributed. Pipeline MLPs are
direct commodity price exposure because they do not own the
rgy commodity.

cline in demand for natural gas, crude oil, and refined
ducts could adversely affect MLP revenues and cash flows.
uld lead to a decrease in market demand include a recession or
economic conditions, an increase in the market price of the
mmodity, higher taxes or other regulatory actions that increase
t in consumer demand for such products. Demand may also be
acted by consumer sentiment with respect to global warming
state or federal legislation intended to promote the use of
rgy sources such as bio-fuels, solar and wind.

e regulation could result in increased operations and capital
n companies in which we invest. Voluntary initiatives and
trols have been adopted or are being discussed both in the
nd worldwide to reduce emissions of "greenhouse gases" such
ide, a by-product of burning fossil fuels, which some scientists
ers believe contribute to global climate change. These
future measures could result in increased costs to certain
which we invest to operate and maintain facilities and
manage a greenhouse gas emissions program and may reduce
els that generate greenhouse gases and that are managed or
ompanies in which we may invest.

ny one MLP's assets may be dedicated to natural gas reserves
modities that naturally deplete over time, which could have a
erse impact on an MLP's ability to make distributions. MLPs
pon exploration and development activities by third parties.

a variety of means of increasing cash flow, including
ization of existing facilities, expanding operations through new
xpanding operations through acquisitions, or securing
-term contracts. Thus, some MLPs may be subject to
sk, acquisition risk or other risk factors arising from their
ss strategies. A significant slowdown in large energy
sposition of energy infrastructure assets and other merger and
ivity in the energy MLP industry could reduce the growth rate
hat we receive from MLPs that grow through acquisitions.

ty of MLPs could be adversely affected by changes in the
ironment. Companies in the energy infrastructure sector are
ificant federal, state provincial and local government
irtually every aspect of their operations, including how
onstructed, maintained and operated, environmental and safety
he prices they may charge for the products and services they
us governmental authorities have the power to enforce
th these regulations and the permits issued under them, and
ubject to administrative, civil and criminal penalties, including
unctions or both. Stricter laws, regulations or enforcement
be enacted in the future which would likely increase
sts and may adversely affect the financial performance of
he energy sector.

her patterns, such as hurricane Ivan in 2004 and hurricane
5, could result in significant volatility in the supply of energy
could adversely impact the value of the securities of
which we invest. This volatility may create fluctuations in
ces and earnings of companies in the energy infrastructure

st rate environment could adversely impact the performance of
interest rates could limit the capital appreciation of equity
as a result of the increased availability of alternative
competitive yields with MLPs. Rising interest rates also may
LP's cost of capital. A higher cost of capital could limit growth
on/expansion projects and limit MLP distribution growth rates.

ember 11, 2001 terrorist attacks, the U.S. Government has
varnings indicating that energy assets, specifically those
ine infrastructure, production facilities and transmission and
cilities, might be specific targets of terrorist activity. The
at of terrorism and related military activity likely will increase
rices in natural gas and oil and could affect the market for
LPs.

erating risks, including the risk of fire, explosions, blow-outs,
normally pressured formations and environmental hazards.
hazards include pipeline ruptures, gas leaks, oil spills, or
oxic gases. If any of these operating risks occur, it could cause
ses to the given energy company. Substantial losses may be
ry or loss of life, severe damage to or destruction of property,
es and

lution or other environmental damage, clean-up
, regulatory investigation and penalties and suspension of
accordance with industry practice, companies in the energy
ector generally maintain insurance against some, but not all,
cribed above, and this insurance may not be adequate to cover
ties.

c Risk. Energy infrastructure companies also are subject to
the industry they serve.

are subject to demand for natural gas, crude oil or refined
markets served by the pipeline, sharp decreases in natural gas
ces that cause producers to curtail production or reduce capital
xploration activities, and environmental regulation. Demand
hich accounts for a substantial portion of refined product
depends on price, prevailing economic conditions in the
l, and demographic and seasonal factors. Pipeline MLP unit
arily driven by distribution growth rates and prospects for
owth. Pipeline MLPs are subject to regulation by FERC with
f rates these companies may charge for pipeline transportation
dverse determination by FERC with respect to the tariff rates
ILP could have a material adverse effect on the business,
tion, results of operations and cash flows of that pipeline MLP
o make cash distributions to its equity owners. The costs of
eline MLPs to perform services may exceed the negotiated
egotiated rate" contracts, which would decrease their cash flow
istribution to their unitholders. Under FERC policy, a
ce provider and a customer may mutually agree to sign a
rvice at a "negotiated rate" which may be above or below the
d "recourse rate" for that service, and that contract must be filed
y FERC. These "negotiated rate" contracts are not generally
stment for increased costs which could be produced by
ases in cost of capital and taxes or other factors relating to the
es being used to perform the services. Any shortfall of
senting the difference between "recourse rates" (if higher) and
s, under current FERC policy is generally not recoverable
ppers. In addition, substantially all natural gas pipeline
enerated under contracts which expire periodically and must
d and extended or replaced. If the new terms are not as
e existing contracts, natural gas pipeline MLPs could suffer a
tion in their revenues, earnings and cash flows.

LPs are subject to declines in production of natural gas fields,
he processing facilities as a way to market the gas, prolonged
he price of natural gas, which curtails production due to lack
vity and declines in the prices of NGL products and natural
ulting in lower processing margins.

are subject to earnings variability based upon weather locations where the company operates and the wholesale cost d to end customers. Propane MLP unit prices are based on bution coverage ratios, interest rate environment and, to a istribution growth.

ng MLPs are subject to the demand for, and the level of f, natural gas, refined petroleum products or crude oil in the l by the marine shipping MLPs, which in turn could affect the nk vessel capacity and charter rates. These MLPs' vessels and re also subject to the risks of being damaged or lost due to rs, bad weather, mechanical failures, grounding, fire, collisions, human error, piracy, and war and terrorism.

e impacted by declines in the demand for and prices of natural nd refined petroleum products. Reductions in prices for l crude oil can cause a given reservoir to become uneconomic production earlier than it would if prices were higher. The gins and cash flows of E&P MLPs may fluctuate widely in variety of factors, including global and domestic economic ather conditions, natural

supply and price of imported energy commodities,
ability, conservation efforts and governmental regulation. The
ny reserve estimate is a function of the quality of available
racy of assumptions regarding future commodity prices and
gineering and geological interpretations and judgments. Due to
es in reserves and production, E&P MLPs must economically
e and develop additional reserves in order to maintain and
venues and distributions.

invest primarily in equity securities of MLPs and their
esult, we are subject to the risks associated with an investment
ling cash flow risk, tax risk, deferred tax risk and capital
described in more detail below.

k. We expect to derive substantially all of our cash flow from
equity securities of MLPs and their affiliates. The amount of
ill have available to pay or distribute to holders of our
nds on the ability of the MLPs whose securities we hold to
ions to their partners and the tax character of those
We will not control the actions of underlying MLPs. The
n that each individual MLP can distribute to its partners will
amount of cash it generates from operations, which will vary
o quarter depending on factors affecting the energy
market generally and on factors affecting the particular
of the MLP. Available cash will also depend on the MLPs'
ing costs (including incentive distributions to the general
of capital expenditures, debt service requirements, acquisition
fluctuations in working capital needs and other factors.

LPs. Our ability to meet our investment objective will depend
taxable income, dividends and distributions we receive from
other securities of energy infrastructure companies in which
ctor over which we have no control. The benefit that we derive
tment in MLPs depends largely on the MLPs being treated as
r federal income tax purposes. As a partnership, an MLP has
ome tax liability at the entity level. If, as a result of a change in
a change in an MLP's business, an MLP were treated as a
r federal income tax purposes, the MLP would be obligated to
come tax on its taxable income at the corporate tax rate. If an
ssified as a corporation for federal income tax purposes, the
n available for distribution would be reduced and the
e receive might be taxed entirely as dividend income.
tment of one or more MLPs as a corporation for federal
rposes could affect our ability to meet our investment objective
uce the amount of cash available to pay or distribute to holders
es.

Risks of MLPs. As a limited partner in the MLPs in which we
be required to include in our taxable income a pro rata share

ns, losses and deductions from each MLP without regard to
ons from the MLP. Historically, a significant portion of
uch MLPs has been offset by tax deductions. We will incur a
bility on our share of that portion of an MLP's income and
ot offset by tax deductions and losses. The percentage of an
and gains which is offset by tax deductions and losses will
time for various reasons. A significant slowdown in
ivity by MLPs held in our portfolio could result in a reduction
depreciation generated by new acquisitions, which may result
rrent income tax liability to us.

deferred income taxes for any future tax liability associated
n of MLP distributions considered to be a tax-deferred return
ll as capital appreciation of our investments. Upon the sale of
y, we may be liable for previously deferred taxes. We will rely
on information provided by the MLPs, which is not necessarily
ate deferred tax liability for purposes of financial statement
etermining our NAV. From time to time we will modify our
umptions regarding our deferred tax liability as new
omes available.

es Risk. MLP common units and other equity securities can be
ro-economic and other factors affecting the stock market in
ations of interest rates, investor sentiment towards MLPs or the
hanges in a particular issuer’s financial condition, or
unanticipated poor performance of a particular issuer (in the
generally measured in terms of distributable cash flow). Prices
s of individual MLPs and other equity securities also can be
damentals unique to the partnership or company, including
ower, coverage ratio and characteristics and features of
s of securities.

urities of smaller companies may involve greater risk than is
investing in more established companies. Companies with
zation may have limited product lines, markets or financial
lack management depth or experience; and may be more
lverse general market or economic developments than larger
d companies.

onvertible subordinated units generally convert to common
o-one ratio, the price that we can be expected to pay upon
ealize upon resale is generally tied to the common unit price
The size of the discount varies depending on a variety of
g the likelihood of conversion, the length of time remaining to
the size of the block purchased.

hares and their volatility tend to be correlated to the price of
although the price correlation is not precise.

Proceeds Risk. Although we expect to fully invest the net
offering within three months after the closing of the offering,
ts may be delayed if suitable investments are unavailable at the
unable to secure firm commitments for direct investments, if
ns and volumes of the securities of MLPs and their affiliates
e at the time or for other reasons. As a result, the proceeds
l in mutual funds, cash, cash equivalents, securities issued or
he U.S. Government or its instrumentalities or agencies, high
rm money market instruments, short-term debt securities,
eposit, bankers’ acceptances and other bank obligations,
per or other liquid fixed income securities. The three month
ciated with the anticipated use of proceeds could lower returns
ield in the first year after the issuance of the common shares.
ceeds.”

Risk. Global financial markets and economic conditions
may continue to be, volatile due to a variety of factors,
icant write-offs in the financial services sector. Despite more
mic activity, if the volatility continues, the cost of raising
bt and equity capital markets, and the ability to raise capital,
d. In particular, concerns about the general stability of

ts and specifically the solvency of lending counterparties, may
of raising capital from the credit markets through increased
ghter lending standards, difficulties in refinancing debt on
r at all and reduced, or in some cases ceasing to provide,
owers. In addition, lending counterparties under existing
facilities and other debt instruments may be unwilling or
their funding obligations. As a result of any of the foregoing,
anies in which we invest may be unable to obtain new debt or
g on acceptable terms. If funding is not available when needed,
nly on unfavorable terms, we or the companies in which we
be able to meet obligations as they come due. Moreover,
te funding, MLPs may be unable to execute their growth
plete future acquisitions, take advantage of other business
respond to competitive pressures, any of which could have a
e effect on their revenues and results of operations.

rates could limit the capital appreciation of the companies in
t as a result of the increased availability of alternative
competitive yields. Rising interest rates may increase the cost
mpanies operating in the energy infrastructure sector. A
apital or an inflationary period may lead to inadequate
could limit growth from acquisition or expansion projects, the
entities to make or grow dividends or distributions or meet debt
ability to respond to competitive pressures, all of which could
the prices of their securities.

bility in the financial markets has led the U.S. government and
ments to take a number of unprecedented actions designed to
financial institutions and segments of the financial markets
enced extreme volatility, and in some cases a lack of liquidity
l state

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d foreign governments, their regulatory agencies or self
nizations may take additional actions that affect the regulation
in which we invest, or the issuers of such securities, in ways
eeable and on an "emergency" basis with little or no notice,
uence that some market participants' ability to continue to
ain strategies or manage the risk of their outstanding positions
nly and/or substantially eliminated or otherwise negatively
n the complexities of the global financial markets and the
ne within which governments have been able to take action,
ons have sometimes been unclear in scope and application,
fusion and uncertainty, which in itself has been materially
he efficient functioning of such markets as well as previously
stment strategies. Decisions made by government policy
xacerbate the current economic difficulties in the U.S. and

events surrounding the recent negotiations regarding the U.S.
nent debt ceiling and the resulting agreement could adversely
1, S&P lowered its long-term sovereign credit rating on the
vernment debt to “AA+” from “AAA.” We cannot predict the
or similar events in the future on the U.S. economy and
ts or on our portfolio.

Our use of leverage through the issuance of preferred stock or
and any borrowings (other than for temporary or emergency
d be considered “senior securities” for purposes of the 1940 Act
. Leverage is a speculative technique that may adversely affect
olders. If the return on securities acquired with borrowed
everage proceeds does not exceed the cost of the leverage, the
could cause us to lose money. Successful use of leverage
Adviser’s ability to predict or hedge correctly interest rates and
nts, and there is no assurance that the use of a leveraging
successful during any period in which it is used. Because the
Adviser will be calculated on the basis of Managed Assets, the
se when leverage is utilized, giving our Adviser an incentive to

senior securities involves offering expenses and other costs,
st payments, which are borne indirectly by our common
uctuations in interest rates could increase interest or
ments on our senior securities, and could reduce cash
tributions on common stock. Increased operating costs,
nancing cost associated with any leverage, may reduce our
ommon stockholders.

nd/or the rating agency guidelines applicable to senior
se asset coverage requirements, distribution limitations, voting
nts (in the case of the senior equity securities), and restrictions
composition and our use of certain investment techniques and

erms of any senior securities or other borrowings may impose
rements, restrictions and limitations that are more stringent
ntly required by the 1940 Act, and the guidelines of the rating
te outstanding senior securities. These requirements may have
ct on us and may affect our ability to pay distributions on
and preferred stock. To the extent necessary, we intend to
ior securities to maintain the required asset coverage. Doing so
t we liquidate portfolio securities at a time when it would not
sirable to do so. See "Leverage—Use of Leverage."

gy Risk. We may use interest rate transactions for hedging
n an attempt to reduce the interest rate risk arising from our
l structure. There is no assurance that the interest rate hedging
o which we enter will be effective in reducing our exposure to
. Hedging transactions are subject to correlation risk, which is
ment on our hedging transactions may not correlate exactly
nt obligations on senior securities.

nsactions that we may use for hedging purposes will expose us
that differ from the risks associated with our portfolio
are economic costs of hedging reflected in the price of
ps, floors, caps and similar techniques, the costs of which can
articularly when long-term interest rates are substantially
n rates. In addition, our success in using hedging instruments
Adviser's ability to predict correctly changes in the
such hedging instruments to our leverage risk, and there can
that our Adviser's judgment in this respect will be accurate.
he use of hedging transactions might result in a poorer overall
hether or not adjusted for risk, than if we had not engaged in
s.

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he state of interest rates in general, our use of interest rate
ld enhance or decrease the cash available to us for payment of
interest, as the case may be. To the extent there is a decline in
e value of interest rate swaps or caps could decline, and result
ur net assets. In addition, if the counterparty to an interest rate
ults, we would not be able to use the anticipated net receipts
st rate swap or cap to offset our cost of financial leverage.

ject to credit risk with respect to the counterparties to any such
ered into by us. If a counterparty becomes bankrupt or
o perform its obligations under a contract due to financial
may experience significant delays in obtaining any recovery
ative contract in a bankruptcy or other reorganization
may obtain only a limited recovery or may obtain no recovery
tances.

sk. A number of alternatives exist for investing in a portfolio
tructure MLPs and their affiliates, including other publicly
nt companies, structured notes, private funds, open-end funds
ducts. In addition, recent tax law changes have increased the
ted investment companies or other institutions to invest in
mpetitive conditions may adversely impact our ability to meet
objective, which in turn could adversely impact our ability to
ons or interest or distribution payments.

rities Risk. We may invest up to 50% of Total Assets in
ties, primarily through direct investments in securities of
s. Restricted securities are less liquid than securities traded in
t because of statutory and contractual restrictions on resale.
are, therefore, unlike securities that are traded in the open
can be expected to be sold immediately if the market is
scussed further below, this lack of liquidity creates special
wever, we could sell such securities in private transactions
umber of purchasers or in public offerings under the 1933 Act.
e subordinated units generally convert to publicly-traded
pon the passage of time and/or satisfaction of certain financial
the means by which convertible subordinated units convert
mon units depend on a security's specific terms, MLP
rdinated units typically are exchanged for common units.

rities are subject to statutory and contractual restrictions on
le, which may make it more difficult to value them, may limit
spose of them and may lower the amount we could realize
To enable us to sell our holdings of a restricted security not
r the 1933 Act, we may have to cause those securities to be
expenses of registering restricted securities may be determined
uy the securities. When we must arrange registration because
the security, a considerable period may elapse between the

n is made to sell the security and the time the security is
at we could sell it. We would bear the risks of any downward
n during that period.

Although common units of MLPs trade on the NYSE, NYSE
merly known as AMEX), and the NASDAQ National Market,
curities may trade less frequently than those of larger
to their smaller capitalizations. In the event certain MLP
ience limited trading volumes, the prices of such MLPs may
or erratic movements at times. In addition, it may be more
o buy and sell significant amounts of such securities without
impact on prevailing market prices. As a result, these
be difficult to dispose of at a fair price at the times when we
irable to do so. Investment of our capital in securities that are
ded or over time experience decreased trading volume may
ty to take advantage of other market opportunities or to
rities. This also may affect adversely our ability to make
t payments on the debt securities and distributions on the
to redeem such securities, or to meet asset coverage

Market prices generally will not be available for MLP
ordinated units, and the value of such investments ordinarily
ned based on fair valuations determined by our Adviser
cedures adopted by the Board of Directors. Similarly, common
hrough direct placements will be valued based on fair value
if they are restricted; however, our Adviser expects that such
ased on a discount from publicly available market prices.
resale or the absence of a liquid secondary market may
our ability to determine our NAV. In addition, the value

ties typically requires more reliance on the judgment of our
at required for securities for which there is an active trading
the difficulty in valuing these securities and the absence of an
market for these investments, we may not be able to realize
' true value, or we may have to delay their sale in order to do
ffect adversely our ability to make required interest payments
rities and distributions on the preferred stock, to redeem such
meet asset coverage requirements

tion Risk. We are a non-diversified, closed-end management
npany under the 1940 Act and do not intend to be treated as a
estment company under the Internal Revenue Code.
here will be no regulatory limits under the 1940 Act or the
ue Code on the number or size of securities that we hold, and
more assets in fewer issuers as compared to a diversified fund.
oximately 110 companies currently organized as MLPs and
f those companies operate energy infrastructure or natural gas
ssets. We will select MLP investments from this small pool of
y invest in non-MLP securities issued by energy infrastructure
lesser degree, consistent with our investment objective and

use we intend to be treated as a corporation for federal income
r financial statements reflect deferred tax assets or liabilities
nerally accepted accounting principles. Deferred tax assets
a relatively high percentage of NAV. Realization of deferred
ling net operating loss and capital loss carryforwards, are
rt, on generating sufficient taxable income of the appropriate
o expiration of the loss carryforwards. In addition, a
ge in our ownership may limit our ability to utilize our loss
Unexpected significant decreases in MLP cash distributions or
nes in the fair value of our MLP investments, among other
ange our assessment regarding the recoverability of deferred
ould likely result in a valuation allowance, or recording of a
e. If a valuation allowance is required to reduce the deferred
future, it could have a material impact on our NAV and results
the period it is recorded. Conversely, in periods of generally
' prices, we will accrue a deferred tax liability to the extent the
r assets exceeds our tax basis. We may incur significant tax
periods in which gains on MLP investments are realized.
d taxes are not taken into account in calculating Managed
iser may have an incentive to defer taxes rather than incur
ent period.

rism. The U.S. securities markets are subject to disruption as
rist activities, such as the terrorist attacks on the World Trade
mber 11, 2001; the war in Iraq and its aftermath; other
other geopolitical events. Such events have led, and in the
, to short-term market volatility and may have long-term

.S. economy and markets.

Provisions. Maryland law and our Charter and Bylaws include
could delay, defer or prevent other entities or persons from
ol of us, causing us to engage in certain transactions or
tructure. These provisions may be regarded as “anti-takeover”
n provisions could limit the ability of common stockholders to
at a premium over the then-current market prices by
hird party from seeking to obtain control of us. See “Certain
ur Charter and Bylaws.”

sk. Our Adviser was formed in 2002 to provide portfolio
institutional and high-net worth investors seeking professional
their MLP investments. Our Adviser has been managing
portfolios of MLP investments since that time. As of February
dviser had client assets under management of approximately
cluding management of publicly-traded closed-end
vestment companies, an open-end fund and other accounts. To
our Adviser’s assets under management continue to grow, our
ve to hire additional personnel and, to the extent it is unable to
dividuals, its operations may be adversely affected.

f Stock Ownership Risk. Following any offering a single
wn 10% or more of our outstanding common shares, or an
rchase such an interest following this offering as a result of a
of our common shares or through the purchase of our common
en market. As a result of such ownership, such an investor
influence decisions regarding the composition of the Board of
er decisions made by our stockholders. In addition, it may be
er stockholders to gain

cient voting power to affect the outcome of votes at
etings. This could have an adverse impact on us and the value
shares.

t Risk. Shares of closed-end investment companies frequently
unt from NAV but in some cases have traded above NAV.
lopment of alternatives as a vehicle for investing in MLP
contribute to reducing or eliminating any premium or may
res trading at a discount. The risk of the shares of common
a discount is a risk separate from the risk of a decline in our
of investment activities. Our NAV will be reduced
llowing an offering of our common or preferred stock due to
ts for such stock, which are borne entirely by us. Although we
fering costs of debt securities, such costs are amortized over
ore do not impact our NAV immediately following an offering.

olders will realize a gain or loss for federal income tax
he sale of our common stock depends upon whether the
the common shares at the time of sale is above or below the
asis in such shares, taking into account transaction costs, and it
ependent upon our NAV. Because the market value of our
will be determined by factors such as the relative demand for
he shares in the market, general market conditions and other
our control, we cannot predict whether our common stock will
or above NAV, or at, below or above the public offering price
n stock.

The voting power, percentage ownership and distribution
urrent stockholders will be diluted to the extent that such
not purchase shares in any future common stock offerings or
sufficient shares to maintain their percentage interest. In
sell shares of common stock below NAV, our NAV will fall
er such issuance. See "Description of Securities — Common
ce of Additional Shares" which includes a table reflecting the
f selling our common stock below NAV.

to invest the proceeds of such offering as intended, our per
on may decrease and we may not participate in market
same extent as if such proceeds were fully invested as

s to Senior Securities Holders

vestment in senior securities is subject to the following risks:

sk. Distributions and interest payable on our senior securities
terest rate risk. To the extent that distributions or interest on
are based on short-term rates, our leverage costs may rise so
of distributions or interest due to holders of senior securities

ne cash flow generated by our portfolio securities. To the
everage costs are fixed, our leverage costs may increase when
ities mature. This might require that we sell portfolio
me when we would otherwise not do so, which may adversely
e ability to generate cash flow. In addition, rising market
uld negatively impact the value of our investment portfolio,
nount of assets serving as asset coverage for senior securities.

e Risk. Preferred stock would be junior in liquidation and with
oution rights to debt securities and any other borrowings.
s representing indebtedness may constitute a substantial lien
ny preferred stock by reason of their prior claim against our
inst our net assets in liquidation. We may not be permitted to
tions with respect to any series of preferred stock unless at
eet applicable asset coverage requirements and the payment of
rest is not in default with respect to the Notes or any other

ties, upon issuance, are expected to be unsecured obligations
quidation, dissolution or winding up, will rank: (1) senior to
nding common stock and any outstanding preferred stock; (2)
any of our unsecured creditors and any unsecured senior
senting our indebtedness; and (3) junior to any of our secured
ed creditors of ours may include, without

es entering into interest rate swap, floor or cap transactions, or
nsactions with us that create liens, pledges, charges, security
ty agreements or other encumbrances on our assets.

set Coverage Risk. To the extent that senior securities are
oes not eliminate or necessarily mitigate the risks of investing
curities, and a rating may not fully or accurately reflect all of
arket risks associated with a security. A rating agency could
rating of our shares of preferred stock or debt securities, which
securities less liquid in the secondary market, though
igher resulting interest rates. If a rating agency downgrades, or
ntial downgrade to, the rating assigned to a senior security, we
rtfolio or redeem some senior securities. We may voluntarily
security under certain circumstances to the extent permitted
documents.

Inflation is the reduction in the purchasing power of money
n increase in the price of goods and services. Inflation risk is
inflation adjusted or "real" value of an investment in preferred
curities or the income from that investment will be worth less
inflation occurs, the real value of the preferred stock or debt
e distributions payable to holders of preferred stock or interest
ers of debt securities declines.

Asset Value Risk. A material decline in our NAV may impair
aintain required levels of asset coverage for our preferred
curities.

MANAGEMENT OF THE COMPANY

fficers

d affairs are managed under the direction of our Board of
rdingly, our Board of Directors provides broad supervision
including supervision of the duties performed by our Adviser.
responsible for our day-to-day operations. The names, ages
f each of our directors and officers, together with their
ations and other affiliations during the past five years, are set
ch director and officer will hold office until his successor is
d qualifies, or until he resigns or is removed in the manner
. Unless otherwise indicated, the address of each director and
Ash Street, Suite 300, Leawood, Kansas 66211. Our Board of
sts of a majority of directors who are not interested persons (as
940 Act) of our Adviser or its affiliates ("Independent

iser

dvisory agreement, our Adviser provides us with investment
vice and furnishes us with an investment program consistent
nent objective and policies, subject to the supervision of the
ors. Our Adviser determines which portfolio securities will be
ld, arranges for the placing of orders for the purchase or sale
urities, selects brokers or dealers to place those orders,
s and records with respect to our securities transactions and
oard of Directors on our investments and performance.

ocated at 11550 Ash Street, Suite 300, Leawood, Kansas
viser specializes in managing portfolios of investments in
r energy companies. Our Adviser was formed in 2002 to
o management services to institutional and high-net worth
g professional management of their MLP investments. As of
13, our Adviser had approximately $10.5 billion of assets
ent. Our Adviser's investment committee is comprised of five
lio managers.

o serves as investment adviser to Tortoise Energy
orporation ("TYG"), Tortoise Energy Capital Corporation
ise North American Energy Corporation ("TYN"), Tortoise Power
astructure Fund, Inc. ("TPZ"), Tortoise Pipeline & Energy Fund,
d Tortoise Energy Independence Fund, Inc. ("NDP"), which are
closed-end investment management companies that invest in
hich commenced operations on February 27, 2004, invests
ity securities of MLPs and their affiliates in the energy
ector. TYY, which commenced operations on May 31,

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imarily in equity securities of MLPs and their affiliates in the
cture sector. TYN, which commenced operations on October
s primarily in securities of MLPs, including midstream energy
il and gas exploitation and production, and energy shipping
Z, which commenced operations on July 31, 2009, invests in a
ting primarily of fixed income and equity securities issued by
gy infrastructure companies. TTP, which commenced
ctober 31, 2011, invests primarily in pipeline companies that
usiness of transporting natural gas, natural gas liquids, crude
products and to a lesser extent, on other energy infrastructure
P, which commenced operations on July 31, 2012, invests
ity securities of companies that provide access to North
d gas production growth. In addition, our Adviser serves as
adviser to an open-end investment management company that
s and pipeline companies. To the extent certain MLP securities
infrastructure company securities meet our investment
e objectives of other investment companies or accounts
r Adviser, we may compete with such companies or accounts
estment opportunities.

wholly-owned by Tortoise Holdings, LLC, a holding
age Investments, LLC ("Montage Investments"), a registered
ser, owns a majority interest in Tortoise Holdings, LLC, with
nterests held by the Adviser's five Managing Directors and
nior employees of our Adviser. In September 2009, our
Managing Directors entered into employment agreements with
t had a 3-year initial term as well as two 1-year automatic
normal circumstances.

, 2013, our Adviser had 52 employees, including the five
investment committee.

management of our portfolio is the responsibility of our
tment committee. The investment committee's members are H.
achary A. Hamel, Kenneth P. Malvey, Terry C. Matlack and
e, all of whom share responsibility for such investment
is the policy of the investment committee that any one
quire our Adviser to sell a portfolio company and any one
o the committee's decision to invest in a portfolio company.
e member has been a portfolio manager since we commenced
ly 2010.

r. Mr. Birzer has been a Managing Director of our Adviser
Birzer has also served as a Director of ours since inception
TYG, TYY, TYN, TPZ, TTP and NDP since its inception and
ital Resources Corporation ("TTO"), which changed its name to
astructure Trust, Inc. on December 3, 2012 ("CORR"), from
gh November 2011. Mr. Birzer, who was a member in
l Management, L.L.C. ("Fountain Capital"), a registered

ser, from 1990 to May 2009, has 30 years of investment
Birzer graduated with a Bachelor of Business Administration
University of Notre Dame and holds a Master of Business
degree from New York University. He earned his CFA
988.

nel. Mr. Hamel has been a Managing Director of our Adviser
was a Partner with Fountain Capital from 2001 through
2. Mr. Hamel has served as our President since 2010, of each
P since its inception and of each of TYG, TYY and TPZ since
Hamel served as Senior Vice President of TTO from inception
ber 2011, of each of TYY and TPZ from inception to May
rom April 2007 to May 2011 and TYN since 2007. Mr. Hamel
Kansas State University with a Bachelor of Science in
nistration. He also attained a Master in Business
from the University of Kansas School of Business. He earned
ation in 1998.

vey. Mr. Malvey has been a Managing Director of our
002 and was a Partner with Fountain Capital from 2004
ber 2012. Mr. Malvey has served as our Senior Vice President
nce 2010; as Treasurer of each of TYG, TYY and TYN since
ch of TPZ, TTP and NDP since its inception; as Senior Vice
h of TYY, TPZ, TTP and NDP since its inception, and of each
N since 2007. Mr. Malvey served as Senior Vice President
f TTO from 2005 through November 2011. Mr. Malvey
a Bachelor of Science degree in Finance from Winona State
ona, Minnesota. He earned his CFA designation in 1996.

k. Mr. Matlack has been a Managing Director of our Adviser
has also served as our Chief Executive Officer since 2010, of
d NDP since its inception, and of each of TYG, TYY, TYN
May 2011; as Chief Financial Officer of TTO from inception
d of each of TYG, TYY, TYN and TPZ from inception to
as Director from its inception until September 15, 2009 of
YY, TYN, TPZ and TTO. Mr. Matlack has served as our
Director of each of TYG, TYY, TYN, TPZ, TTP and NDP
r 12, 2012. Mr. Matlack graduated with a Bachelor of Science
ministration from Kansas State University and holds a Masters
ministration and a Juris Doctorate from the University of
ned his CFA designation in 1985.

e. Mr. Schulte has been a Managing Director of our Adviser
. Schulte is also a Managing Director of Corridor InfraTrust
LC, an affiliate of the Adviser. Mr. Schulte has served as our
sident since 2010, of each of TYG, TYY, TYN and TPZ since
of each of TTP and NDP since its inception; as Chief
er and President of each of TYG, TYY, and TPZ from
y 2011; as Chief Executive Officer of TYN from 2005 to May
dent of TYN from 2005 to September 2008; as Chief Executive
/CORR since 2005 and as President of TTO from 2005 to
of TTO/CORR since June 2012. Mr. Schulte holds a Bachelor
ee in Business Administration from Drake University and a
degree from the University of Iowa. He earned his CFA
992.

f additional information provides additional information about
on structure of, the other accounts managed by, and the
r securities by the portfolio managers listed above.

nd Expenses

sory agreement we pay our Adviser a fee equal to 0.95%
average monthly Managed Assets for the services rendered by
waived an amount equal to 0.25% of average monthly
s for the period from July 30, 2010 through July 27, 2011 and
l to 0.20% of average monthly Managed Assets for the period
011 through December 31, 2012. The Adviser has agreed to
nt equal to 0.15% of average monthly Managed Assets for the
uary 1, 2013 through December 31, 2013, 0.10% of average
ed Assets for the period from January 1, 2014 through
014, and 0.05% of average monthly managed Assets for the
uary 1, 2015 through December 31, 2015. This fee waiver
minated early by mutual agreement of the Adviser and the
ors. In addition, the Adviser has contractually agreed to waive
er the Advisory Agreement related to the net proceeds
he issuance of additional common stock under the Company's
quity program for a six month period following the date of

aged Assets" means our Total Assets (including any assets
ny leverage that may be outstanding but excluding any net
ets) minus the sum of accrued liabilities other than (1) net
bilities, (2) debt entered into for purposes of leverage, and (3)
quidation preference of any outstanding preferred stock. Our
t charge an advisory fee based on net deferred tax assets.
paid to the Adviser is determined on the basis of our Managed
iser's interest in determining whether we should incur
age will conflict with our interests. Because deferred taxes are
calculating Managed Assets, the Adviser may have an
er taxes rather than incur taxes in the current period. In
se the fee paid to the Adviser is determined on the basis of our
s and not our Net Assets, there is no reduction in the fee paid
or accruing deferred tax liabilities. "Net Assets" means the value
sets (including any assets attributable to any leverage that may
and net deferred tax assets) minus the sum of total liabilities
eferred tax liabilities, debt entered into for the purpose of
e liquidation preference of any outstanding preferred stock).

nthly Managed Assets are determined for the purpose of
management fee by taking the average of the monthly
of Managed Assets during a given calendar quarter. The fees
each calendar quarter within five days after the end of that
visory agreement has a term ending on December 31, 2013 and
ed from year to year thereafter as provided in the 1940 Act.
n of the advisory agreement was most recently approved by
rectors in November 2012. A discussion regarding the basis
Directors' decision to approve the continuation of the advisory
ailable in our Annual Report to Stockholders for the fiscal
ember 30, 2012.

rs will indirectly bear all expenses not specifically assumed by
urred in our operations and will bear the expenses related to all
. Expenses our stockholders will bear will include, but are not
ollowing: (1) expenses of maintaining and continuing our
elated overhead, including, to the extent services are provided
our Adviser or its affiliates, office space and facilities,
nefits; (2) our registration under the 1940 Act; (3)
preads, fees and other expenses connected with the acquisition,
position of securities and other investments, including
imilar fees in connection with direct placements entered into
4) auditing, accounting, tax and legal service expenses; (5)
st; (6) governmental fees; (7) expenses of listing our shares
change, and expenses of issue, sale, repurchase and redemption
nterests; (8) expenses of registering and qualifying us and our
deral and state securities laws and of preparing and filing
ements and amendments for such purposes; (9) expenses of
with stockholders, including website expenses and the
paring, printing and mailing press releases, reports and other
holders and of meetings of stockholders and proxy
refor; (10) expenses of reports to governmental officers and
11) insurance expenses; (12) association membership dues;
ses and disbursements of custodians and subcustodians for all
ncluding without limitation safekeeping of funds, securities
ments, keeping of books, accounts and records, and
f NAVs); (14) fees, expenses and disbursements of transfer
d and interest paying agents, stockholder servicing agents and
services to us; (15) compensation and expenses of our
re not members of our Adviser's organization; (16) pricing,
ther consulting or analytical services employed by us; (17) all
ed in connection with leveraging our assets through a line of
ndebtedness or issuing and maintaining notes or preferred
xpenses incurred in connection with offerings of our common
ock and debt securities; and (19) such non-recurring items as
ding expenses incurred in connection with litigation,
d claims and our obligation to indemnify our directors and
spect thereto.

DETERMINATION OF NET ASSET VALUE

e NAV of our common stock as of the close of trading of the
y 4:00 p.m. Eastern time) no less frequently than the last
each calendar month and at such other times as the Board of
letermine. When considering an offering of common stock, we
AV on a more frequent basis, generally daily, to the extent
mply with the provisions of the 1940 Act. We currently intend
AV available for publication weekly on our Adviser's website.
hare of common stock equals our NAV divided by the number
standing common stock. Our NAV equals the value of our

s: (i) all of our liabilities (including accrued expenses and both
deferred tax liabilities); (ii) accumulated and unpaid
any outstanding preferred stock; (iii) the aggregate liquidation
y outstanding preferred stock; (iv) accrued and unpaid interest
y outstanding indebtedness; (v) the aggregate principal
outstanding indebtedness; and (vi) any distributions payable on
ck.

ine the value of our assets and liabilities in accordance with
dures adopted by our Board of Directors. Securities for which
ns are readily available shall be valued at "market value." If a
nnot be obtained or if our Adviser determines that the value of
obtained does not represent value as of the measurement date
cant development subsequent to the time its price is
therwise), value for the security shall be determined pursuant
ogies established by our Board of Directors.

equity securities and equity-related securities is determined by
available market quotations from the principal market. For
uity-related securities that are freely tradable and listed on a
hange or over the counter market, value is determined using
rice on that exchange or over-the-counter market on the
date. If the security is listed on more than one exchange, we
rice of the exchange that we consider to be the principal
which the security is traded. Securities listed on the NASDAQ
at the NASDAQ Official Closing Price, which may not
present the last sale price. If a security is traded on the
date, then the last reported sale price on the exchange or
ter ("OTC") market on which the security is principally traded,
of valuation, is used. If there were no reported sales on the
cipal exchange or OTC market on the measurement date, then
etween the last bid price and last asked price, as reported by

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, shall be used. We will obtain direct written broker-dealer
security is not traded on an exchange or quotations are not
an approved pricing service. Exchange-traded options will be
ean of the best bid and best asked prices across all option

urity of a publicly traded company acquired in a private
nsaction without registration is subject to restrictions on resale
the security's liquidity and value. Such securities that are
to publicly traded common shares or securities that may be
to Rule 144 will generally be valued based on the value of the
common share counterpart less an applicable discount.
discount will initially be equal to the discount at which we
securities. To the extent that such securities are convertible or
ome freely tradable within a time frame that may be
termined, an amortization schedule may be determined for the

securities (other than the short-term securities as described
ued by (i) using readily available market quotations based
pdated sale price or a market value from an approved pricing
ted by a pricing matrix based upon yield data for securities
aracteristics or (ii) by obtaining a direct written broker-dealer
a dealer who has made a market in the security.

e security acquired in a private placement transaction without
subject to restrictions on resale that can affect the security's
value. Among the various factors that can affect the value of a
ed security are (i) whether the issuing company has freely
ncome securities of the same maturity and interest rate (either
tial public offering or otherwise); (ii) whether the company
ve registration statement in place for the securities; and (iii)
ket is made in the securities. The securities normally will be
rtized cost unless the portfolio company's condition or other
a determination of value at a different amount.

curities, including bonds, notes, debentures and other fixed
ties, and money market instruments such as certificates of
mercial paper, bankers' acceptances and obligations of domestic
nks, with remaining maturities of 60 days or less, for which
t quotations are readily available are valued on an amortized

vill be valued at market value pursuant to written valuation
opted by our Board of Directors, or if a market value cannot
if our Adviser determines that the value of a security as so
not represent value as of the measurement date (due to a
velopment subsequent to the time its price is determined or
lue shall be determined pursuant to the methodologies
our Board of Directors.

ublic company securities determined pursuant to fair value
will be presented to our Board of Directors or a designated
eof for approval at the next regularly scheduled board meeting.

TOMATIC DIVIDEND REINVESTMENT PLAN

Dividend Reinvestment Plan (the "Plan") will allow
mmon stockholders to reinvest distributions in additional
mmon stock. Shares of common stock will be issued by us
when our common stock is trading at a premium to NAV. If
ck is trading at a discount to NAV, shares issued under the
chased on the open market. Shares of common stock issued
under the Plan will be acquired at the greater of (1) NAV at
iness on the payment date of the distribution, or (2) 95% of the
r common share on the payment date. Common stock issued
when shares are trading at a discount to NAV will be
e market at market price or a negotiated price determined by
Computershare Trust Company, N.A. (the "Plan Agent").

dend Reinvestment

’s shares are registered directly with us or with a brokerage
pates in our Plan through the facilities of The Depository
g Corporation (“DTC”) and such stockholder’s account is coded
stment by such brokerage firm, all distributions are
einvested for stockholders by the Plan Agent, in additional
mmon stock (unless a stockholder is ineligible or elects
stockholder’s shares are registered with a brokerage firm that
he Plan through the facilities of DTC, but such stockholder’s
oded dividend reinvestment by such brokerage firm or if a
hares are registered with a brokerage firm that does not
e Plan through the facilities of DTC, a stockholder will need
ment executive what arrangements can be made to set up their
cipate in the Plan. In either case, until such arrangements are
lder will receive distributions in cash.

ho elect not to participate in the Plan will receive all
yable in cash paid by check mailed directly to the stockholder
the shares are held in street or other nominee name, then to
by the Plan Agent, as dividend paying agent. Participation in
pletely voluntary and may be terminated or resumed at any
nalty by giving written, telephone or internet instructions to
such termination will be effective with respect to a particular
otice is received prior to the record date for such distribution.

eclare a distribution payable either in shares or in cash,
s in the Plan will receive cash, and participants in the Plan will
valent in shares of common stock. The shares are acquired by
for the participant’s account, depending upon the circumstances
, either (i) through receipt of additional shares of common
“Additional Common Stock”) or (ii) by purchase of outstanding
on the open market (“open-market purchases”) on the NYSE or
n the payment date, the NAV per share of our common stock
ss than the market price per share of our common stock plus
rage commissions (such condition being referred to herein as
m”), the Plan Agent will receive Additional Common Stock
n participant’s account. The number of shares of Additional
to be credited to the participant’s account will be determined
dollar amount of the dividend or distribution by the greater of
share of common stock on the payment date, or (ii) 95% of
e per share of common stock on the payment date.

ent date, the NAV per share of common stock exceeds the
us estimated brokerage commissions (such condition being
n as “market discount”), the Plan Agent will invest the
ount in shares acquired in open-market purchases as soon as
not later than 30 days following the payment date. We expect
ay quarterly distributions. The weighted average price
erage commissions) of all common stock purchased by the
lan Agent will be the price per share of common stock

h participant.

maintains all stockholders' accounts in the Plan and furnishes
ation of each acquisition made for the participant's account as
ble, but in no event later than 60 days after the date thereof.
count of each Plan participant will be held by the Plan Agent
ed form in the Plan Agent's name or that of its nominee, and
r's proxy will include those shares purchased or received
Plan. The Plan Agent will forward all proxy solicitation
ticipants and vote proxies for shares held pursuant to the Plan
ce with the instructions of the participants, and then with
roxies not returned by such participant, in the same proportion
nt votes the proxies returned by the participants.

o brokerage charges with respect to shares issued directly by
distributions payable either in shares or in cash. However,
will pay a per share fee (currently $0.05) with respect to the
en-market purchases in connection with the reinvestment of
a participant elects to have the Plan Agent sell part or all of
s of common stock and remit the proceeds, such participant
his or her pro rata share of brokerage commissions on the
a $15.00 transaction fee.

einvestment of distributions will not relieve participants of
e or local income tax that may be payable (or required to be
ch distributions. See "Certain Federal Income Tax Matters."

rticipating in the Plan may receive benefits not available to
t participating in the Plan. If the market price plus
 our shares of common stock is higher than the NAV,
he Plan will receive shares of our common stock at less than
rwise purchase such shares and will have shares with a cash
an the value of any cash distribution they would have received
If the market price plus commissions is below the NAV,
l receive distributions of shares of common stock with a NAV
 value of any cash distribution they would have received on
wever, there may be insufficient shares available in the market
utions in shares at prices below the NAV. In addition, because
m our shares, the price on resale may be more or less than the
tain Federal Income Tax Matters" for a discussion of tax
f the Plan.

er the Plan may indicate that changes are desirable.
e reserve the right to amend or terminate the Plan if in the
 Board of Directors such a change is warranted. The Plan may
y the Plan Agent or by us upon notice in writing mailed to
 at least 60 days prior to the effective date of the termination.
nation, the Plan Agent will cause a certificate or certificates to
e full shares held by each participant under the Plan and cash
any fraction of a share of common stock at the then-current
 the common stock to be delivered to him or her. If preferred,
ay request the sale of all of the shares of common stock held by
in his or her Plan account in order to terminate participation in
a participant elects in advance of such termination to have the
part or all of his or her shares, the Plan Agent is authorized to
 proceeds a $15.00 fee plus a $0.05 fee per share for the
 participant has terminated his or her participation in the Plan
 have shares of common stock registered in his or her name,
e-enroll in the Plan at any time by notifying the Plan Agent in
ldress below. The terms and conditions of the Plan may be
 Plan Agent or by us at any time. Any such amendments to the
de by mailing to each participant appropriate written notice at
ior to the effective date of the amendment, except when
propriate to comply with applicable law or the rules or policies
ny other regulatory authority, such prior notice does not apply.
t shall be deemed to be accepted by each participant unless,
ctive date thereof, the Plan Agent receives notice of the
he participant's account under the Plan. Any such amendment
appointment by the Plan Agent of a successor Plan Agent,
rior written approval of the successor Plan Agent by us.

ence concerning the Plan should be directed to Computershare
, N.A., P.O. Box 43078, Providence, Rhode Island 02940.

Option

e may amend the Plan to implement a cash purchase option,
pants in the Plan may elect to purchase additional shares of
hrough optional cash investments in limited amounts on a
r periodic basis. If and when we implement the cash purchase
e Plan, common stockholders will receive notice 60 days prior
tation and further details, including information on the
nd other terms, the frequency of offerings and how to
e cash purchase option.

DESCRIPTION OF SECURITIES

n contained under this heading is only a summary and is
rovisions contained in our Charter and Bylaws and the laws of
ryland.

harter authorizes us to issue up to 100,000,000 shares of
$0.001 par value per share. The Board of Directors may,
on by the stockholders, amend our Charter from time to time
ecrease the aggregate number of shares of stock or the number
ck of any class or series that we have authority to issue under
the 1940 Act. In addition, our Charter authorizes our Board of
ut any action by our stockholders, to classify and reclassify
mmon stock and preferred stock into other classes or series of
to time by setting or changing the terms, preferences,
ther rights, voting powers, restrictions, limitations as to
ualifications and terms and conditions of redemption for each
Although we have no present intention of doing so, we

ass or series of stock that could delay, defer or prevent a
change in control of us that might otherwise be in the
est interests. Under Maryland law, stockholders generally are
r debts or obligations.

ck offered pursuant to this prospectus and any related
plement will be, upon issuance, duly authorized, fully paid and
All outstanding common stock offered pursuant to this
any related prospectus supplement will be of the same class
entical rights, as described below. Holders of shares of
are entitled to receive distributions when authorized by the
ors and declared by us out of assets legally available for the
ributions. Holders of common stock have no preference,
hange, sinking fund, redemption or appraisal rights and have
ights to subscribe for any of our securities. All shares of
have equal distribution, liquidation and other rights.

We intend to pay out substantially all of our DCF to holders of
hrough quarterly distributions. DCF is the amount we receive
in-kind distributions from MLPs or affiliates of MLPs in
t and interest payments on short-term debt securities we own,
nticipated operating expenses, taxes on our taxable income,
sts paid by us (including leverage costs of any preferred stock,
securities and borrowings under any credit facility). Our
ors has adopted a policy of declaring what it believes to be
ributions. In determining distributions, our Board of Directors
ber of current and anticipated factors, including, among
alized and unrealized gains; leverage amounts and rates;
rred taxes payable; and potential volatility in returns from our
l the overall market. Over the long term, we expect to
antially all of our DCF to holders of our common stock. It is
e will declare and pay a distribution to holders of common
of each fiscal quarter. There is no assurance that we will
e regular distributions. All realized capital gains, if any, net of
, will be retained by us.

's shares are registered directly with us or with a brokerage
pates in our Dividend Reinvestment Plan (the "Plan"),
ll be automatically reinvested in additional common stock
unless a stockholder elects to receive distributions in cash. If a
cts to receive distributions in cash, payment will be made by
ral income tax treatment of distributions is the same whether
ted in our shares or received in cash. See "Automatic Dividend
lan."

r common stock will likely vary from period to period
arious factors, including market conditions; the timing and
stments in portfolio securities; the securities comprising our
es in interest rates (including changes in the relationship

erm rates and long-term rates); the amount and timing of the
by us; the effects of leverage on our common stock (discussed
everage"); the timing of investing the offering proceeds and
ds in portfolio securities; and our net assets and operating
equently, we cannot guarantee any particular yield on our
and the yield for any given period is not an indication or
f future yields on the common shares.

Distributions. If any shares of preferred stock are outstanding,
s of common stock will not be entitled to receive any
om us unless we have paid all accumulated distributions on
and unless asset coverage (as defined in the 1940 Act) with
rred stock would be at least 200% after giving effect to such
e "Leverage."

curities representing indebtedness are outstanding, holders of
on stock will not be entitled to receive any distributions from
ve paid all accrued interest on such senior indebtedness, and
erage (as defined in the 1940 Act) with respect to any
ior indebtedness would be at least 300% after giving effect to
ns. See "Leverage."

hts. Common stockholders are entitled to share ratably in the
ailable for distribution to stockholders in the event of
olution or winding up, after payment of or adequate provision
ebts and liabilities, including any outstanding debt securities or
s and any interest accrued thereon. These rights are subject to
rights of any other class or series of our stock,

referred stock. The rights of common stockholders upon
olution or winding up would be subordinated to the rights of
referred stock or senior securities representing indebtedness.

Each outstanding share of common stock entitles the holder to
matters submitted to a vote of stockholders, including the
ctors. The presence of the holders of shares of stock entitled to
of the votes entitled to be cast (without regard to class) shall
rum at a meeting of stockholders. Our Charter provides that,
vise provided in the Bylaws, directors shall be elected by the
of the holders of a majority of the shares of stock outstanding
vote thereon. The Bylaws provide that directors are elected by
the votes cast at a meeting of stockholders duly called and at
is present. There is no cumulative voting in the election of
equently, at each annual meeting of stockholders, the holders
the outstanding shares of stock entitled to vote will be able to
uccessors of the class of directors whose terms expire at that
nt to the 1940 Act, holders of preferred stock will have the
o directors at all times. Pursuant to our Charter and Bylaws,
rectors may amend the Bylaws to alter the vote required to

of the NYSE applicable to listed companies, we normally will
old an annual meeting of stockholders in each fiscal year. If
d to an open-end company or if for any other reason the shares
sted on the NYSE (or any other national securities exchange
ch require annual meetings of stockholders), we may amend
hat we are not otherwise required to hold annual meetings of

litional Shares. The provisions of the 1940 Act require that
ng price of common stock of a closed-end investment
nderwriting commissions and discounts) must equal or exceed
h company's common stock (calculated within 48 hours of
such sale is made with the consent of a majority of the
tanding common stockholders or pursuant to certain other
forth in the 1940 Act. We intend to seek approval at our
g of Stockholders in 2013 for the authority to sell shares of our
for less than NAV, subject to the conditions listed below. The
s that we may sell below NAV in one or more public or
s may not exceed twenty-five percent (25%) of our then
mmon stock. We believe that having the ability to issue and sell
on stock below NAV benefits all stockholders in that it allows
ise cash and capitalize on attractive investment opportunities
g fully invested at all times. When considering an offering of
we calculate our NAV on a more frequent basis, generally
ent necessary to comply with the provisions of the 1940
nly issue shares of our common stock at a price below NAV
1940 Act exemption requiring stockholder approval if the

tions are met:

of our directors who have no financial interest
ction and a majority of our independent
e determined that any such sale would be in
rests of us and our stockholders;

of our directors who have no financial interest
ction and a majority of our independent
consultation with the underwriter or
of the offering if it is to be underwritten,
ined in good faith, and as of a time
prior to the first solicitation by us or on our
n commitments to purchase such common
nediately prior to the issuance of such
ck, that the price at which such shares of
ck are to be sold is not less than a price
y approximates the market value of those
mmon stock, less any distributing
or discount;

roceeds of any such sale are to be used to
ments, a majority of our directors who have
interest in the transaction and a majority of
dent directors, have made a determination,
ormation and a recommendation from the
t they reasonably expect that the
) to be made will lead to a long-term
istribution growth; and

er common share in any such sale, after
fering expenses and commissions, reflects a
NAV, as determined at any time within two
s prior to the pricing of the common stock to
o more than 10%.

ses, directors will not be deemed to have a financial interest
of their ownership of our common stock.

sets forth the pro forma maximum dilutive effect on our
e to have issued shares below our NAV as of November 30,
assumes that we issue 11,639,958 shares, which represents
cent (25%) of our common stock as of November 30, 2012, at
to us after deducting all expenses of issuance, including
scounts and commissions, equal to $22.05, which is 90% of
common shares as of November 30, 2012.

aximum Impact of Below NAV Issuances of Common Shares

s outstanding		46,559,833
s that may be issued below NAV		11,639,958
shares outstanding if all res are issued below NAV		58,199,791
per share as of November 30,	$	24.50
sset value of all outstanding based on NAV as of 2012	$	1,140,635,390
roceeds to the Company Company sold all permissible ved net proceeds equal to $22.05 of the NAV as of November 30,	$	256,661,074
gate net asset value of the issuance	$	1,397,296,464
after issuance	$	24.01
tion to pre-issuance NAV		-2.00%

e conditions set forth in our proxy statement, we are required
rpretations of the staff of the Commission to amend our shelf
ement before commencing a below NAV offering if the
tion from the current offering as calculated in the table above,
revious below NAV offerings under this registration statement,
Ve also must amend our registration statement before
offering of shares pursuant to the issuance of rights to
ares below net asset value to existing stockholders.

viser's management fee is based upon our average monthly
s, the Adviser's interest in recommending the issuance and sale
k including common stock issued below NAV, will conflict
ts and those of our stockholders.

mmon stock trades on the NYSE under the ticker symbol
on stock issued pursuant to this prospectus and any related

plement will trade on the NYSE.

Dividend Paying Agent and Automatic Dividend
lan Agent. Computershare Trust Company, N.A., P.O. Box
nce, Rhode Island 02940, serves as the transfer agent and agent
ic Dividend Reinvestment Plan for our common stock and
Inc. serves as the dividend paying agent for our common

harter authorizes the issuance of up to 10,000,000 shares of
$0.001 par value per share, with preferences, conversion or
ing powers, restrictions, limitations as to distributions,
nd terms and conditions of redemption as determined by the
ors.

irectors may, without any action by our stockholders, amend
n time to time to increase or decrease the aggregate number of
or the number of shares of stock of any class or series that we
o issue under our Charter and under the 1940 Act. In addition,
horizes the Board of Directors, without any action by the
classify and reclassify any unissued preferred stock into other
of stock from time to time by setting or changing the terms,
nversion or other rights, voting powers, restrictions, limitations
ns, qualifications and terms and conditions of redemption for
ries.

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will rank junior to our debt securities, and senior to all
Under the 1940 Act, we may only issue one class of senior
s, which in the aggregate may represent no more than 50% of
s. If any preferred shares are outstanding, additional issuances
ck must be considered to be of the same class under the 1940
etations thereunder and must rank on a parity with respect to
distributions and upon the distribution of our assets. The
o buy and sell any preferred stock we may issue, along with
uch preferred stock, will be described in a related prospectus
luding the following:

title of the security;

e liquidation preference of preferred

on rate of the preferred stock;

or mandatory redemption provisions;

ns concerning conversion, amortization,
s, and/or retirement;

agent, paying agents or security
d

ms of the preferred stock.

Holders of our preferred stock will be entitled to receive cash
hen, as and if authorized by the Board of Directors and
out of funds legally available therefor. The prospectus for any
will describe the distribution payment provisions for those
tions so declared and payable shall be paid to the extent
Maryland law and to the extent available and in preference to
r any distribution declared and payable on the common stock.
emphasis on investments in MLPs and their affiliates, which
generate cash in excess of the taxable income allocated to
ssible that distributions payable on preferred stock could
ent and accumulated earnings and profits, which would be
ral income tax purposes as a tax-deferred return of capital to
e basis of the shares on which the distribution is paid and
n from the sale or exchange of the preferred stock.

Distributions. If we have senior securities representing
tstanding, holders of preferred stock will not be entitled to
ributions from us unless asset coverage (as defined in the 1940
ct to outstanding debt securities and preferred stock would be
fter giving effect to such distributions. See “Leverage.”

hts. In the event of any voluntary or our involuntary
olution or winding up, the holders of preferred stock would be
ve a preferential liquidating distribution, which is expected to
al purchase price per share plus accumulated and unpaid
hether or not declared, before any distribution of assets is
of common stock. After payment of the full amount of the
ibution to which they are entitled, the holders of preferred
e entitled to any further participation in any distribution of our
l stock ranks junior to our debt securities upon liquidation,
inding up.

Except as otherwise indicated in our Charter or Bylaws, or as
red by applicable law, holders of any preferred stock will have
are and vote together with holders of common stock as a single

equires that the holders of any preferred stock, voting
single class, have the right to elect at least two directors at all
ining directors will be elected by holders of common stock
ock, voting together as a single class. In addition, subject to
if any, of the holders of any other class of senior securities
holders of any shares of preferred stock have the right to elect
e directors at any time two years' accumulated distributions on
ock are unpaid. The 1940 Act also requires that, in addition to
stockholders that might otherwise be required, the approval
f a majority of shares of any outstanding preferred stock,
y as a class, would be required to (i) adopt any plan of
hat would adversely affect the preferred stock, and (ii) take
ring a vote of security holders under Section 13(a) of the 1940
among other things,

subclassification as a closed-end investment company or
fundamental investment restrictions. See “Certain Provisions in
l Bylaws.” As a result of these voting rights, our ability to take
s may be impeded to the extent that any shares of our preferred
nding.

vote of the holders of a majority of any outstanding preferred
a separate class, will be required to amend, alter or repeal any
es, rights or powers of holders of preferred stock so as to
y and adversely such preferences, rights or powers. The class
of preferred stock described above will in each case be in
other vote required to authorize the action in question.

e right (to the extent permitted by applicable law) to purchase
quire any preferred stock, so long as we are current in the
ributions on the preferred stock and on any other of our shares
rity with the preferred stock with respect to the payment of
upon liquidation.

tails on how to buy and sell any preferred stock we may issue,
r terms of such preferred stock, will be described in a related
plement. We cannot assure you that any secondary market will
a secondary market does exist, whether it will provide holders

livery and Form. Unless otherwise indicated in the related
plement, preferred stock will be issued in book-entry form and
ted by one or more share certificates in registered global form.
ficates will be held by The Depository Trust Company (“DTC”)
n the name of Cede & Co., as nominee of DTC. DTC will
rtificates in specified denominations per share through its
ities.

e persons in whose names any global certificates are
e owners thereof for the purpose of receiving payments and for
r purposes whatsoever. Therefore, so long as DTC or its
registered owner of the global certificates, DTC or such
e considered the sole holder of outstanding preferred stock.

cate may not be transferred except as a whole by DTC, its
eir respective nominees, subject to the provisions restricting
res contained in the related articles supplementary.

Registrar, Dividend Paying Agent and
ent. The transfer agent, registrar, dividend paying agent and
nt with respect to any preferred stock will be described in the
plement for such offering.

r Maryland law and our Charter, we may borrow money,
pproval of holders of common and preferred stock. We may
ities, including additional Notes, or other evidence of
ncluding bank borrowings or commercial paper) and may
notes or borrowings by mortgaging, pledging or otherwise
curity our assets to the extent permitted by the 1940 Act or
uidelines. Any borrowings, including without limitation the
senior to the preferred stock and the common stock.

Act, we may only issue one class of senior securities
lebtedness, which in the aggregate, may represent no more
our Total Assets. So long as Notes are outstanding, additional
must rank on a parity with the Notes with respect to the
rest and upon the distribution of our assets. A prospectus
include specific terms relating to the offering. Subject to the
e 1940 Act, we may issue debt securities, in which case the
o buy and sell such debt securities, along with other terms of
ties, will be described in a related prospectus supplement. The
ed in a prospectus supplement will include the following:

title of the security;

principal amount of the securities;

te of the securities;

dates on which the principal of the
l be payable;

default or covenants;

or mandatory redemption provisions;

s concerning conversion, amortization,
, and/or retirement;

ransfer agent, paying agents or security

ms of the securities.

bt securities, the prospectus supplement will describe the
t provisions relating to those debt securities. Interest on debt
be payable when due as described in the related prospectus
we do not pay interest when due, it will trigger an event of
will be restricted from declaring and making distributions with
ommon stock and preferred stock.

nder the requirements of the 1940 Act, immediately after
or securities representing indebtedness, we must have an asset
east 300%. Asset coverage means the ratio which the value of
s, less all liabilities and indebtedness not represented by senior
to the aggregate amount of senior securities representing
We currently are subject to certain restrictions imposed by
e or more rating agencies that have issued ratings for
es, including restrictions related to asset coverage and
osition. Such restrictions may be more stringent than those
1940 Act. Other types of borrowings also may result in our
similar covenants in credit agreements.

lt and Acceleration of Maturity of Debt Securities;
ess stated otherwise in the related prospectus supplement, it is
any one of the following events will constitute an "event of
series:

payment of any interest upon a series of
s when it becomes due and payable and
ce of such default for 30 days;

payment of the principal of, or premium
f debt securities at its stated maturity;

performance, or breach, of any
varranty of ours in any document
e Notes, and continuance of such default
a period of 90 days after written notice
en to us;

tary or involuntary proceedings
and relating to bankruptcy, insolvency or
laws;

business day of each of twenty-four
alendar months, the debt securities have
sset coverage of less than 100%; or

ent of default" provided with respect to a
ing a default in the payment of any
rice payable on the redemption date.

rence and continuance of an event of default, the holders of a
cipal amount of a series of outstanding debt securities or the
lare the principal amount of that series of debt securities
e and payable upon written notice to us. A default that relates
es of debt securities does not affect any other series and the
other series of debt securities are generally not entitled to
f such a default. Upon an event of default relating to
olvency or other similar laws, acceleration of maturity occurs
ith respect to all series. At any time after a declaration of
h respect to a series of debt securities has been made, and
ent or decree for payment of the money due has been obtained,
majority in principal amount of the outstanding debt securities
y written notice to us and the trustee, may rescind and annul
of acceleration and its consequences if all events of default
that series of debt securities, other than the non-payment

of that series of debt securities which has become due solely
tion of acceleration, have been cured or waived and other
been met.

hts. In the event of (a) any insolvency or bankruptcy case or
ny receivership, liquidation, reorganization or other similar
ing in connection therewith, relative to us or to our creditors,
r assets, or (b) any liquidation, dissolution or other winding
any, whether voluntary or involuntary and whether or not
ency or bankruptcy, or (c) any assignment for the benefit of
other marshalling of assets and liabilities of ours, then (after
ith respect to any secured creditor of ours outstanding at such
such event the holders of debt securities shall be entitled to
t in full of all amounts due or to become due on or in respect
ities (including any interest accruing thereon after the
of any such case or proceeding), or provision shall be made
nt in cash or cash equivalents or otherwise in a manner
e holders of the debt securities, before the holders of any
erred stock of the Company are entitled to receive any
ount of any redemption proceeds, liquidation preference or
m such shares. The holders of debt securities shall be entitled
pplication to the payment thereof, any payment or distribution
haracter, whether in cash, property or securities, including any
r distribution which may be payable or deliverable by reason
of any other indebtedness of ours being subordinated to the
debt securities, which may be payable or deliverable in respect
rities in any such case, proceeding, dissolution, liquidation or
p event.

itors of ours may include, without limitation, service providers
dviser, custodian, administrator, broker-dealers and the trustee,
erms of various contracts with us. Secured creditors of ours
hout limitation parties entering into any interest rate swap,
sactions, or other similar transactions with us that create liens,
s, security interests, security agreements or other
n our assets.

, reorganization or merger of the Company with or into any
or a sale, lease or exchange of all or substantially all of our
eration for the issuance of equity securities of another
not be deemed to be a liquidation, dissolution or winding up of

Debt securities have no voting rights, except to the extent
or as otherwise provided in the documents governing the
the acceleration of maturity upon the occurrence and
an event of default. In connection with any other borrowings
0 Act does in certain circumstances grant to the lenders

ghts in the event of default in the payment of interest on or
rincipal.

tails on how to buy and sell our debt securities, along with
uch debt securities, will be described in a related prospectus
e cannot assure you that any secondary market will exist or if a
et does exist, whether it will provide holders with liquidity.

livery and Form. Unless otherwise stated in the related
plement, debt securities will be issued in book-entry form and
ted by one or more notes in registered global form. The global
posited with a custodian for DTC and registered in the name
as nominee of DTC. DTC will maintain the notes in
ominations through its book-entry facilities.

e persons in whose names any notes, including the global
ered as the owners thereof for the purpose of receiving
or any and all other purposes whatsoever. Therefore, so long as
inee is the registered owner of the global notes, DTC or such
e considered the sole holder of outstanding notes. We may give
itten certification, proxy or other authorization furnished by
inee.

ay not be transferred except as a whole by DTC, its
eir respective nominees. Interests of beneficial owners in the
y be transferred or exchanged for definitive securities in
n the rules and procedures of DTC. In addition, a global note
geable for notes in definitive form if:

us that it is unwilling or unable to
depository and we do not appoint a
hin 60 days;

ion, notify the appropriate party in
e elect to cause the issuance of notes in
n; or

fault has occurred and is continuing.

e, upon surrender by DTC or its nominee of the global note,
ve form will be issued to each person that DTC or its nominee
ng the beneficial owner of the related notes.

ny global note may grant proxies and otherwise authorize any
g its participants and persons who may hold interests through
ts, to take any action which a holder is entitled to take.

Registrar, Dividend Paying Agent and
ent. The transfer agent, registrar, dividend paying agent and
nt with respect to any debt securities will be described in the
plement for such offering.

RATING AGENCY GUIDELINES

ncies, which assign ratings to our senior securities, impose
requirements, which may limit our ability to engage in certain
tions and may limit our ability to take certain actions without
such action will not impair the ratings. The outstanding Notes
s are currently rated by Fitch. Fitch, and any other agency that
bt securities or preferred stock in the future, are collectively
e “Rating Agencies.”

e not required to, adopt any modification to the guidelines that
e established by any Rating Agency. Failure to adopt any
however, may result in a change in the ratings described above
of ratings altogether. In addition, any Rating Agency may, at
e or withdraw any rating. The Board may, without stockholder
fy, alter or repeal certain of the definitions and related
h have been adopted pursuant to each Rating Agency’s
ting Agency Guidelines”) only in the event we receive written
om the Rating Agency or Agencies that any amendment,
eal would not impair the ratings then assigned to the senior

l to satisfy two separate asset maintenance requirements with
anding debt securities and with respect to outstanding preferred

ust maintain assets in our portfolio that have a value,
ccordance with guidelines set forth by each Rating Agency, at
e aggregate principal amount/aggregate liquidation preference
rities/preferred stock, respectively, plus specified liabilities,
tions and other amounts (the “Basic Maintenance Amount”); and
sfy the 1940 Act asset coverage requirements.

nce Amounts. We must maintain, as of each valuation date on
curities are outstanding, eligible assets having an aggregate
e at least equal to the applicable Basic Maintenance Amount,
ted separately for debt securities and preferred stock for each
that is then rating the senior securities and so requires. If we
eligible assets having an aggregated discounted value at least
licable Basic Maintenance Amount as of any valuation date
is not cured, we will be required in certain circumstances to
of the senior securities.

Basic Maintenance Amount is defined in the Rating Agency’s
h Rating Agency may amend the definition of the applicable
nce Amount from time to time.

ue of our portfolio securities (used in calculating the
e of eligible assets) is calculated using readily available
ns when appropriate, and in any event, consistent with our
dures. For the purpose of calculating the applicable Basic
mount, portfolio securities are valued in the same manner as
r NAV. See “Determination of Net Asset Value.”

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ency's discount factors, the criteria used to determine whether
n our portfolio are eligible assets, and the guidelines for
discounted value of our portfolio holdings for purposes of
npliance with the applicable Basic Maintenance Amount are
Agency Guidelines established in connection with rating the
. The discount factor relating to any asset, the applicable basic
nount requirement, the assets eligible for inclusion in the
e discounted value of our portfolio and certain definitions and
ulation relating thereto may be changed from time to time by
ating Agency, without our approval, or the approval of our
ors or stockholders.

y's Guidelines will apply to the senior securities only so long
gency is rating such securities. We will pay certain fees to
her Rating Agency that may provide a rating for the senior
atings assigned to the senior securities are not
ns to buy, sell or hold the senior securities. Such ratings may
ision or withdrawal by the assigning Rating Agency at any

Coverage. We are also required to maintain, with respect to
, as of the last business day on any month in which any senior
tstanding, asset coverage of at least 300% for debt securities
referred stock (or such other percentage as may in the future
r under the 1940 Act as the minimum asset coverage for
representing shares of a closed-end investment company as a
laring distributions on its common stock). If we fail to
plicable 1940 Act or other more stringent agreed upon asset
he last business day of the week, month or other period
spect to the applicable senior security and such failure is not
days (the "Asset Coverage Cure Date"), we will be required to
senior securities.

the current Rating Agency Guidelines, in certain
we are required to deliver to any Rating Agency which is then
securities (1) a certificate with respect to the calculation of
asic Maintenance Amount; (2) a certificate with respect to the
e applicable 1940 Act asset coverage and the value of our
gs; and (3) a letter prepared by our independent accountants
curacy of such calculations.

anything herein to the contrary, the Rating Agency
hey may be amended from time to time by each Rating
reflected in a written document and may be amended by each
without the vote, consent or approval of the Company, the
ors or any stockholder of the Company.

urrent Rating Agency Guidelines are included as Appendix A
of additional information and will be provided to any holder

ties promptly upon request made by such holder to the
riting the Company at 11550 Ash Street, Suite 300, Leawood,

N PROVISIONS IN OUR CHARTER AND BYLAWS

lescription of certain provisions of our Charter and Bylaws is
. For a complete description, please refer to our Charter and
have been filed as exhibits to our registration statement on
hich this prospectus forms a part.

l Bylaws include provisions that could delay, defer or prevent
persons from acquiring control of us, causing us to engage in
ons or modifying our structure. Furthermore, these provisions
fect of depriving stockholders of the opportunity to sell their
nium over prevailing market prices by discouraging third
king to obtain control of us. These provisions, all of which are
ow, may be regarded as “anti-takeover” provisions.

f the Board of Directors; Election of Directors

vides that the number of directors may be established only by
rectors pursuant to the Bylaws, but may not be less than one.
vide that the number of directors may not be greater than nine.
pplicable limitations of the 1940 Act, any vacancy may be
gular

ny special meeting called for that purpose, only by a majority
g directors, even if those remaining directors do not constitute
uant to our Charter, the Board of Directors is divided into three
Class II and Class III. Upon the expiration of their current
pire in 2014, 2015 and 2013, respectively, directors of each
cted to serve for three-year terms and until their successors are
d qualify. Each year only one class of directors will be elected
ders. The classification of the Board of Directors should help
ntinuity and stability of our strategies and policies as
he Board of Directors.

Board provision could have the effect of making the
incumbent directors more time-consuming and difficult. At
l meetings of stockholders, instead of one, will generally be
ct a change in a majority of the Board of Directors. Thus, the
l provision could increase the likelihood that incumbent
tain their positions. The staggered terms of directors may
prevent a change in control of the Board of Directors, even
e in control might be in the best interests of the stockholders.

ectors

vides that, subject to the rights of holders of one or more
rred stock, a director may be removed only for cause and only
ve vote of at least two-thirds of the votes entitled to be cast in
directors. This provision, when coupled with the provision in
Bylaws authorizing only the Board of Directors to fill vacant
recludes stockholders from removing incumbent directors,
e and by a substantial affirmative vote, and filling the
ed by the removal with nominees of stockholders.

traordinary Corporate Actions; Amendment of Charter and

d law, a Maryland corporation generally cannot dissolve,
er, merge, sell all or substantially all of its assets, engage in a
exchange or engage in similar transactions outside the ordinary
ess, unless declared advisable by the Board of Directors and
e affirmative vote of stockholders entitled to cast at least
e votes entitled to be cast on the matter. However, a Maryland
y provide in its charter for stockholder approval of these
ser percentage, but not less than a majority of all of the votes
st on the matter. Subject to certain exceptions described
rter provides for approval of Charter amendments by the
titled to cast a majority of the votes entitled to be cast on the
rter provides that (1) our liquidation or dissolution, or any
dation, share exchange or sale or exchange of all or
of our assets that requires the approval of our stockholders
land General Corporation Law, (2) certain transactions

any person or group of persons acting together and any person
trolled by or under common control with any such person or
group, that may exercise or direct the exercise of 10% or
ing power in the election of directors, (3) any amendment to
would convert us from a closed-end investment company to
estment company or otherwise make our common stock a
urity and (4) any amendment to certain provisions of our
g the provisions relating to the number, qualifications,
lection and removal of directors, requires the approval of the
titled to cast at least 80% of the votes entitled to be cast on
uch a proposal is approved by at least two-thirds of our
ctors (defined below), in addition to approval by the full
posal may be approved by the stockholders entitled to cast a
votes entitled to be cast on such matter or, in the case of
h a group described above, by the vote, if any, of the
quired by applicable law. The “Continuing Directors” are defined
(i) our current Directors, (ii) those Directors whose
election by the stockholders or whose election by the Directors
is approved by a majority of Continuing Directors then on the
any successor directors whose nomination for election by the
whose election by the directors to fill vacancies is approved
the Continuing Directors then in office. This provision could
fficult for certain extraordinary transactions to be approved if
d by the Continuing Directors, and discourage proxy contests
e our Board by persons wishing to cause such transactions to

l Bylaws provide that the Board of Directors will have the
to make, alter, amend or repeal any provision of our Bylaws.

e of Director Nominations and New Business

vide that, with respect to an annual meeting of stockholders,
persons for election to the Board of Directors and the proposal
e considered by stockholders may be made only (1) pursuant
meeting, (2) by or at the direction of the Board of Directors, or
lder who is entitled to vote at the meeting and who has
he advance notice procedures of the Bylaws. With respect to
s of stockholders, only the business specified in the Company's
eeting may be brought before the meeting. Nominations of
tion to the Board of Directors at a special meeting may be
ursuant to our notice of the meeting, (2) by or at the direction
Directors, or (3) provided that the Board of Directors has
directors will be elected at the meeting, by a stockholder who
te at the meeting and who has complied with the advance
ns of the Bylaws.

quested Special Meetings

vide that special meetings of stockholders may be called by
rectors and certain of our officers. Additionally, the charter
vide that, subject to the satisfaction of certain procedural and
equirements by the stockholders requesting the meeting, a
of stockholders will be called by the secretary of the
the written request of stockholders entitled to cast not less
of all the votes entitled to be cast at such meeting.

kholders

d law, stockholder action can be taken only at an annual or
of stockholders or, unless the charter provides for stockholder
han unanimous written consent (which is not the case for our
nanimous written consent in lieu of a meeting.

SELLING STOCKHOLDERS

number of shares of our common stock may be offered and
rom time to time under this prospectus by certain of our
ovided, however, that no stockholder will be authorized to use
for an offering of our common stock without first obtaining
e may consent to the use of this prospectus by certain of our
r a limited period of time and subject to certain limitations and
nding on the terms of any agreements between us and such
he identity of any selling stockholder, including any material
ween us and our affiliates and such selling stockholder, the
ur common stock owned by such selling stockholder prior to
e number of shares of our common stock to be offered by such
der, the percentage of our common stock to be owned (if

percent) by such selling stockholder following the offering,
d terms upon which our shares of common stock are to be sold
stockholder will be set forth in a prospectus supplement to this

TRIBUTION

r common stock, preferred stock or debt securities, and certain
lers may sell our common stock, on an immediate, continuous
, in one or more offerings under this prospectus and any
us supplement. The aggregate amount of securities that may
and any selling stockholders is limited to $350,000,000. We
ommon stock, preferred stock and debt securities: (1) directly
purchasers, including existing common stockholders in a rights
ough agents; (3) through underwriters; (4) through dealers; or
our Dividend Reinvestment Plan. Any selling stockholders
ommon stock: (1) directly to one or more purchasers;
nts; (3) through underwriters; or (4) through dealers. In the
offering, the applicable prospectus supplement will set forth
hares of our common stock issuable upon the exercise of each
her terms of such rights offering. Each prospectus supplement
ffering of securities will state the terms of the offering,
plicable:

d addresses of any agents, underwriters or dealers;

ds or other items constituting underwriters' compensation;

s, commissions, or fees allowed or paid to dealers or agents;

fering or purchase price of the offered securities and the net
will receive from the sale; provided, however, that we will not
of the proceeds from a sale of our common stock by any
holder; and

s exchange on which the offered securities may be listed.

r common stock, preferred stock and debt securities, or certain
ders may sell our common stock, directly to, and solicit offers
al investors or others who may be deemed to be underwriters
e 1933 Act for any resales of the securities. In this case, no
agents would be involved. We, or any selling stockholder,
nic media, including the Internet, to sell offered securities
rms of any of those sales will be described in a prospectus

ur common stock, preferred stock and debt securities, or
ockholders may sell our common stock, through agents that
gnate. Any agent involved in the offer and sale will be named
ssions payable by us, or any selling stockholder, will be
prospectus supplement. Unless otherwise indicated in the
lement, the agents will be acting on a best efforts basis for the
ppointment.

s

nd sell securities, or certain of our stockholders may offer our
from time to time to one or more underwriters who would
curities as principal for resale to the public, either on a firm
best efforts basis. If we sell securities, or a selling stockholder
non stock, to underwriters, we and such selling stockholder
underwriting agreement with them at the time of the sale and
in the prospectus supplement. In connection with these sales,
s may be deemed to have received compensation from us or
ckholder in the form of underwriting discounts and
he underwriters also may receive commissions from
curities for whom they may act as agent. Unless otherwise
ospectus supplement, the underwriters will not be obligated to
curities unless the conditions set forth in the underwriting
atisfied, and if the underwriters purchase any of the securities,

uired to purchase all of the offered securities. The
ay sell the offered securities to or through dealers, and those
eive discounts, concessions or commissions from the
well as from the purchasers for whom they may act as agent.
ring price and any discounts or concessions allowed or
id to dealers may be changed from time to time.

supplement so indicates, we may grant the underwriters an
ase additional shares of common stock at the public offering
nderwriting discounts and commissions, within 45 days from
prospectus supplement, to cover any overallotments.

nd sell securities, or certain of our stockholders may offer our
from time to time to one or more dealers who would purchase
principal. The dealers then may resell the offered securities to
ed or varying prices to be determined by those dealers at the
The names of the dealers and the terms of the transaction will
he prospectus supplement.

ation

riters, or dealers participating in an offering of securities may
e underwriters, and any discounts and commission received by
rofit realized by them on resale of the

---

es for whom they act as agent, may be deemed to be
scounts and commissions under the 1933 Act.

o sell securities, or certain of our stockholders may offer our
either at a fixed price or at prices that may vary, at market
g at the time of sale, at prices related to prevailing market
otiated prices.

a series of offered securities will be a new issue of securities
o established trading market.

offering of common stock in an underwritten transaction and
vith industry practice, the underwriters may engage in
t stabilize, maintain, or otherwise affect the market price of the
or any other security. Those transactions may include
entering stabilizing bids, effecting syndicate covering
d reclaiming selling concessions allowed to an underwriter or

ment in connection with an offering creates a short position in
stock for the underwriter's own account.

ter may place a stabilizing bid to purchase the common stock
ose of pegging, fixing, or maintaining the price of the common

s may engage in syndicate covering transactions to cover
nts or to stabilize the price of the common stock by bidding
hasing, the common stock or any other securities in the open
der to reduce a short position created in connection with the

ng underwriter may impose a penalty bid on a syndicate
eclaim a selling concession in connection with an offering
mmon stock originally sold by the syndicate member is
syndicate covering transactions or otherwise.

tivities may stabilize or maintain the market price of the
independent market levels. The underwriters are not required
se activities, and may end any of these activities at any time.

rs to whom the offered securities are sold for offering and sale
rket in the offered securities, but the underwriters will not be
so and may discontinue any market-making at any time
The offered securities may or may not be listed on a securities
annot assure you that there will be a liquid trading market for
rities.

nts entered into with us, underwriters and agents and related
their affiliates) may be entitled to indemnification by us
civil liabilities, including liabilities under the 1933 Act, or to
payments the underwriters or agents may be required to

rs, agents, and their affiliates may engage in financial or other
ctions with us and our subsidiaries in the ordinary course of

commission or discount to be received by any member of the
try Regulatory Authority ("FINRA") or independent
ill not be greater than eight percent of the initial gross
he sale of any security being sold. In connection with any
o our common stockholders, we may also enter into a standby
rangement with one or more underwriters pursuant to which
(s) will purchase our common stock remaining unsubscribed
nts offering.

offering price specified on the cover of this prospectus relates
of the securities not yet issued as of the date of this prospectus.

ermitted under the 1940 Act and the rules and regulations
ereunder, the underwriters may from time to time act as a
and receive fees in connection with the execution of our

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ctions after the underwriters have ceased to be underwriters
certain restrictions, each may act as a broker while it is an

d accompanying prospectus supplement in electronic form
vailable on the websites maintained by underwriters. The
ay agree to allocate a number of securities for sale to their
e account holders. Such allocations of securities for internet
ll be made on the same basis as other allocations. In addition,
be sold by the underwriters to securities dealers who resell
ine brokerage account holders.

estment Plan

nd sell shares of common stock pursuant to our Dividend
lan.

CLOSED-END COMPANY STRUCTURE

versified closed-end investment company and as such our
ll not have the right to cause us to redeem their shares.
mmon stock trades in the open market at a price that will be a
eral factors, including distribution levels (which are in turn
enses), NAV, call protection, distribution stability, portfolio
elative demand for and supply of such shares in the market,
and economic conditions and other factors.

d-end companies frequently trade at a discount to their NAV.
tic of shares of closed-end management investment companies
e and distinct from the risk that our NAV may decrease as a
ment activities. To the extent our common shares do trade at a
oard of Directors may from time to time engage in
purchases or tender offers for shares after balancing the benefit
of the increase in the NAV per share resulting from such
st the decrease in our assets, the potential increase in the ratio
to our assets and the decrease in asset coverage with respect
ng preferred stock. The Board of Directors believes that, in
beneficial effects described above, any such purchase or tender
lt in the temporary narrowing of any discount but will not have
ffect on the level of any discount. There is no guarantee or
he Board of Directors will decide to engage in any of these
s also no guarantee or assurance that such actions, if
uld result in the shares trading at a price equal or close to NAV
share repurchase or tender offers will be made in accordance
nts of the Securities Exchange Act of 1934 (the "Exchange
Act and the principal stock exchange on which the common
d.

n open-end mutual fund is extremely unlikely in light of our
ctive and policies and would require approval of our Board of
ockholder approval to amend our Charter. If we converted to
tual fund, we would be required to redeem all senior notes and
then outstanding (requiring us, in turn, to liquidate a
on of our investment portfolio), and our common stock would
ted on the NYSE or any other exchange. In contrast to a
stment company, shareholders of an open-end investment
e a fund to redeem its shares of common stock at any time
n circumstances as authorized by the 1940 Act or the rules
eir NAV, without the discount commonly associated with
stment companies. Open-end investment companies typically
tinuous offering of their shares and may maintain large cash
idate favorable investments to meet redemptions. Open-end
panies are thus subject to periodic asset in-flows and
an complicate portfolio management. In addition, certain of
policies and restrictions are incompatible with the
plicable to an open-end investment company. Accordingly,
n open-end investment company would require material
nvestment policies.

ERTAIN FEDERAL INCOME TAX MATTERS

s a general summary of certain federal income tax
affecting us and our security holders. This discussion does not
mplete or to deal with all aspects of federal income taxation
evant to security holders in light of their particular
r who are subject to
ch as banks, thrift institutions and certain other financial
estate investment trusts, regulated investment companies,
anies, brokers and dealers in securities or currencies, certain
s, tax-exempt investors, individual retirement accounts,
rred accounts, foreign investors, and persons who will hold the
osition in a "straddle," "hedge" or as part of a "constructive sale" for
tax purposes. In addition, this discussion does not address the
tion of the U.S. federal alternative minimum tax. Tax matters
cated, and the tax consequences of an investment in and
ecurities will depend on the particular facts of each investor's
tors are advised to consult their own tax advisors with respect
n to their own circumstances of the general federal income
escribed below and with respect to other federal, state, local or
sequences to them before making an investment in our
ss otherwise noted, this discussion assumes that investors are
d hold our securities as capital assets.

" generally is a beneficial owner of our securities that is, for U.S.
tax purposes, any one of the following:

en or resident of the United States;

n, partnership or other entity created in or organized under the
ted States or any political subdivision thereof;

e income of which is subject to U.S. federal income taxation
source; or

ct to the supervision of a court within the United States and the
ted States person.

older" is a beneficial owner of our securities that is not a U.S.

(including an entity or arrangement treated as a partnership for
ome tax purposes) holds our securities, the tax treatment of a
artnership will generally depend upon the status of the partner
s of the partnership. A prospective security holder that is a
ding our securities or a partner of such a partnership should
or its own tax adviser with respect to the purchase, ownership
of our securities.

very complicated and the tax consequences to a U.S. person
erson of an investment in our securities will depend on the
or its particular situation. We encourage investors to consult
dvisers regarding the specific consequences of such an
uding tax reporting requirements, the applicability of federal,
foreign tax laws and the effect of any possible changes in the

ral Income Taxation

as a C corporation for federal and state income tax purposes.
ligated to pay federal and state income tax on our taxable
est our assets primarily in equity securities of MLPs, which
eated as partnerships for federal income tax purposes. As a
ILPs, we must report our allocable share of the MLP's taxable
uting our taxable income regardless of whether the MLPs
butions. Based upon our review of the historic results of the
n which we intend to invest, we expect that the cash flow
at least initially, with respect to our MLP investments will
ble income allocated to us. There is no assurance that our
arding the distribution from the partnerships exceeding taxable
e partnerships will be realized. If this expectation is not
may be greater tax expense borne by us and less cash available
stockholders or to pay to

dition, we will take into account in determining our taxable
unts of gain or loss recognized on the sale of MLP interests.
naximum regular federal income tax rate for a corporation is
may be subject to a 20 percent federal alternative minimum
native minimum taxable income to the extent that the
mum tax exceeds our regular federal income tax. The extent to
quired to pay corporate income tax or alternative minimum
ially reduce our cash available to make distributions on the

ed as a regulated investment company under the Internal
The Internal Revenue Code generally provides that a
ment company does not pay an entity level income tax,
distributes all or substantially all of its income. Our assets do
expected to, meet current tests for qualification as a regulated
pany for federal income tax purposes. Although changes to
me tax laws permit regulated investment companies to invest
eir total assets in securities of certain MLPs, such changes still
us to pursue our objective. Accordingly, we do not intend to
ral income tax status as a result of such legislation. Therefore,
vestment company taxation rules have no application to us or
ders.

treated as a corporation for federal income tax purposes, our
ents reflect deferred tax assets or liabilities according to
ted accounting principles. This differs from many closed-end
xed as regulated investment companies under the Internal
Deferred income taxes reflect (i) taxes on unrealized
which are attributable to the temporary difference between fair
d tax basis, (ii) the net tax effects of temporary differences
rying amounts of assets and liabilities for financial reporting
e amounts used for income tax purposes and (iii) the net tax
nulated net operating losses and capital losses. To the extent
red tax asset, consideration is given as to whether or not a
ance is required. We periodically assess the need to establish a
ance for deferred tax assets based on the criterion established
t of Financial Accounting Standards, Accounting for Income
No. 109) that it is more likely than not that some portion or all
ax asset will not be realized. Our assessment considers,
tters, the nature, frequency and severity of current and
es, forecasts of future profitability (which are highly
ture MLP cash distributions), the duration of statutory
riods and the associated risk that operating loss and capital
rds may expire unused. In addition, a substantial change in our
limit our ability to utilize our loss carryforwards. We
iew the recoverability of deferred tax assets based on the
ble evidence. Accordingly, realization of a deferred tax asset
whether there will be sufficient taxable income of the
racter within the carryforward periods to realize a portion or

ed tax benefit. We will accrue deferred federal income tax
ted with that portion of MLP distributions considered to be a
urn of capital, as well as capital appreciation of our
pon the sale of an MLP security, we may be liable for
rred taxes, if any. We will rely to some extent on information
MLPs, which is not necessarily timely, to estimate deferred
purposes of financial statement reporting and determining our
e to time we will modify our estimates or assumptions
eferred tax liability as new information becomes available.

Taxation of U.S. Holders of Common and Preferred Stock

Tax Treatment of U.S. Holders of Common Stock. Unlike a
ct interest in MLPs, a stockholder will not include its allocable
ome, gains, losses or deductions in computing its own taxable
, since we are of the opinion that, under present law, the
will constitute equity, distributions with respect to such shares
ributions in redemption of shares subject to Section 302(b) of
venue Code) will generally constitute dividends to the extent of
rrent or accumulated earnings and profits, as calculated for
tax purposes. Generally, a corporation's earnings and profits
ased upon taxable income, with certain specified adjustments.
bove, based upon the historic performance of the MLPs, we
he distributed cash from the MLPs will exceed our share of the
and our gain on the sale of MLP interests. Our current earnings
be increased if our portfolio turnover is increased. Thus, a
return of capital portion of the distributions we receive from
increase in our portfolio turnover may increase our current
ofits and increase the portion of our distributions treated as
posed to a tax deferred return of capital. In addition, earnings
reated generally, for federal income tax purposes, as first
ay

preferred stock, and then to the extent remaining, if any, to
s on the common stock. Thus, we anticipate that only a
istributions of DCF will be treated as dividend income to
olders. To the extent that distributions to a stockholder exceed
accumulated earnings and profits, the stockholder's basis in
with respect to which the distribution is made will be reduced,
ease the amount of gain realized upon the sale of such shares.
has no further basis in its shares, the stockholder will report
ibutions as capital gain if the stockholder holds such shares as

rrent or accumulated earnings and profits generally will be
ary income to holders but are expected to be treated as
end income" that is generally subject to reduced rates of federal
for noncorporate investors and are also expected to be
dividends received deduction available to corporate
der Section 243 of the Internal Revenue Code. Under federal
qualified dividend income received by individual and other
ockholders is taxed at long-term capital gain rates, which as of
prospectus is variable based on the stockholder's taxable
ed dividend income generally includes dividends from
rations and dividends from non-U.S. corporations that meet
To be treated as qualified dividend income, the stockholder
hares paying otherwise qualifying dividend income more than
the 121-day period beginning 60 days before the ex-dividend
an 90 days during the 181-day period beginning 90 days
vidend date in the case of certain preferred stock dividends
eriods exceeding 366 days). A stockholder's holding period
for purposes of this rule if the stockholder engages in certain
ransactions with respect to the common or preferred stock.

ers should be aware that certain limitations apply to the
he dividends received deduction, including limitations on the
nt of the deduction that may be claimed and limitations based
period of the shares of common or preferred stock on which
paid, which holding period may be reduced if the holder
reduction transactions with respect to its shares. Corporate
consult their own tax advisors regarding the application of
s to their particular situation.

ockholder participates in our Automatic Dividend
lan, such stockholder will be treated as receiving the amount
ons made by the Company, which amount generally will be
he amount of the cash distribution the stockholder would have
tockholder had elected to receive cash or, for shares issued by
he fair market value of the shares issued to the stockholder.

Tax Treatment of U.S. Holders of Preferred Stock. Under
are of the opinion that preferred stock will constitute equity,

utions with respect to preferred stock (other than distributions
f preferred stock subject to Section 302(b) of the Internal
will generally constitute dividends to the extent of our current
earnings and profits, as calculated for federal income tax
dividends generally will be taxable as ordinary income to
xpected to be treated as qualified dividend income that is
t to reduced rates of federal income taxation for noncorporate
e also expected to be eligible for the dividends received
able to corporate stockholders under Section 243 of the
e Code. Please see the discussion above on qualified dividend
dividends received deductions.

ofits are generally treated, for federal income tax purposes, as
to pay distributions on the preferred stock, and then to the
g, if any, to pay distributions on the common stock.
excess of the Company's earnings and profits, if any, will first
older's adjusted tax basis in his or her preferred stock and, after
basis is reduced to zero, will constitute capital gains to a
o holds such shares as a capital asset.

The sale of shares of common or preferred stock by holders
e a taxable transaction for federal income tax purposes.
es of stock who sell such shares will generally recognize gain
ount equal to the difference between the net proceeds of the
ljusted tax basis in the shares sold. If the shares are held as a
he time of the sale, the gain or loss will generally be a capital
nilarly, a redemption by us (including a redemption resulting
ation), if any, of

---

tually and constructively held by a stockholder generally will
tal gain or loss under Section 302(b) of the Internal Revenue
that the redemption proceeds do not represent declared but
ls. Other redemptions may also give rise to capital gain or loss,
litions imposed by Section 302(b) of the Internal Revenue
atisfied to achieve such treatment.

loss will generally be long-term capital gain or loss if the
d for more than one year and will be short-term capital gain or
sed shares were held for one year or less. Net long-term
ognized by a noncorporate U.S. holder generally will be
al income tax at a lower rate (currently is variable based on the
xable income) than net short-term capital gain or ordinary
he date of this prospectus a maximum rate of 39.6%). For
rs, capital gain is generally taxed at the same rate as ordinary
currently at a maximum rate of 35%. A holder's ability to
osses may be limited.

or other dispositions of shares may be disallowed under "wash
e event of other investments in the Company (including those
o reinvestment of dividends) or other substantially identical
es within a period of 61 days beginning 30 days before and
after a sale or other disposition of shares. In such a case, the
ion of any loss generally would be included in the U.S. federal
s of the shares acquired. Stockholders should consult their
s regarding their individual circumstances to determine
rticular transaction in the Company's shares is properly treated
S. federal income tax purposes and the tax treatment of any
recognized in such transactions.

l Backup Withholding. In general, information reporting will
utions in respect of stock and the proceeds from the sale,
er disposition of stock that are paid to a U.S. holder within the
nd in certain cases, outside the United States), unless the
mpt recipient. In addition, we may be required to withhold, for
ome tax purposes, such payments payable to stockholders who
s with their correct taxpayer identification number, who fail to
ertifications or who have been notified by the Internal
e ("IRS") that they are subject to backup withholding (or if we
otified). Certain corporate and other stockholders specified in
venue Code and the regulations thereunder are exempt from
ding. Backup withholding is not an additional tax. Any
ld may be credited against the stockholder's U.S. federal
lity provided the appropriate information is furnished to the
manner.

Taxation of Non-U.S. Holders of Common and Preferred

estment in the shares is appropriate for a Non-U.S. stockholder
that person's particular circumstances. An investment in the
-U.S. stockholder may have adverse tax consequences.
holders should consult their tax advisers before investing in

dend distributions paid by us to a Non-U.S. stockholder are
olding of U.S. federal income tax at a rate of 30% (or lower
y rate). If the distributions are effectively connected with a
siness of the Non-U.S. stockholder (and, if required by an
me tax treaty, are attributable to a permanent establishment
he Non-U.S. stockholder in the United States), we will not be
hold federal income tax if the Non-U.S. stockholder complies
certification and disclosure requirements, although the
ll be subject to federal income tax at the rates applicable to
rs. Any such effectively connected dividends may, under
tances, be subject to an additional "branch profits tax" at a 30%
er rate as may be specified by an applicable income tax treaty.
ation requirements apply to a Non-U.S. stockholder that is a
hip or a foreign trust, and such entities are urged to consult
lvisers.)

der generally will not be taxed on any gain recognized on a
ur stock (or warrants or subscription rights to acquire such
able) unless:

ffectively connected with the Non-U.S.
nduct of a trade or business in the United
f required by an applicable income tax
ributable to a permanent establishment
by the Non-U.S. stockholder in the United
ese cases, the

pe taxed on a net income basis at the regular graduated rates
manner applicable to U.S. holders (unless an applicable
x treaty provides otherwise) and, under certain circumstances,
h profits tax” described above may also apply;

.S. holder is an individual who holds our stock (or warrants or
on rights, as applicable) as a capital asset, is present in the
ates for more than 182 days in the taxable year of the
n and meets other requirements (in which case, except as
provided by an applicable income tax treaty, the gain, which
fset by U.S. source capital losses, generally will be subject to a
U.S. federal income tax, even though the Non-U.S. holder is
ered a resident alien under the Code); or

have been a “U.S. real property holding corporation” for U.S.
come tax purposes at any time during the shorter of the
period ending on the date of disposition or the period that the
holder held our stock (or warrants or subscription rights, as
).

rporation is a “U.S. real property holding corporation” if the fair
its “U.S. real property interests” equals or exceeds 50% of the
market value of its worldwide real property interests plus its
d or held for use in a trade or business. For this purpose, we
e treated as owning our proportionate share of the assets of a
which we own an equity interest. The determination of whether
al property holding corporation at any given time will depend
ur assets and their fair market values at such time, which is
ict, and it is possible that we will be a U.S. real property
tion.

ur shares were regularly traded on an established securities
me during the calendar year of the disposition, the tax relating
S. real property holding corporation generally will only apply

holder whose holdings, direct and indirect, of regularly traded
ing warrants or subscription rights to acquire stock) other than
y as a creditor at any time during the applicable period,
e than 5% of such class of interests, or

holder who owns non-regularly traded interests (including
scription rights to acquire stock) other than solely as a creditor
et value greater than the fair market value of 5% of the
class of stock with the lowest fair market value, generally
n acquisition of such interests (Non-U.S. holders who do not
i), a "Non-5% holder").

ares are listed on the NYSE. Although not free from doubt,
ares should be considered to be regularly traded on an
rities market for any calendar quarter during which they are
d on the NYSE by brokers or dealers that hold themselves out
r common shares at the quoted price.

re not considered to be regularly traded on an established
et at any time during the applicable calendar year, then a
would be taxed for U.S. federal income tax purposes on any
the disposition of our shares on a net income basis as if the
tively connected with the conduct of a U.S. trade or business
holder during the taxable year and, in such case, the person
a Non-5% holder generally would have to withhold 10% of the
roceeds of the disposition. Such withholding may be reduced
rsuant to a withholding certificate issued by the Service in
applicable U.S. Treasury regulations. We urge all Non-U.S.
lt their own tax advisers regarding the application of these

der who is a non-resident alien individual, and who is
ct to withholding of federal income tax, may be subject to
orting and backup withholding of federal income tax on
s the Non-U.S. stockholder provides us or the dividend paying
S Form W-8BEN (or an acceptable substitute or successor
ise meets documentary evidence requirements for establishing
U.S. stockholder or otherwise establishes an exemption from
ding.

are owned or treated as owned by an individual who is not a
esident of the United States (as specially defined for U.S.
x purposes) at the time of death will be included in the
ss estate for U.S. federal estate tax purposes, unless an
e tax or other treaty provides otherwise and, therefore, may be
federal estate tax.

ns should consult their own tax advisers with respect to the
deral income tax and withholding tax, and state, local and
sequences of an investment in the shares.

Tax-Exempt Investors and Regulated Investment
nployee benefit plans, other tax-exempt organizations and
ment companies may want to invest in our securities.
fit plans and most other organizations exempt from federal
uding individual retirement accounts and other retirement
ct to federal income tax on unrelated business taxable income
use we are a corporation for federal income tax purposes, an
of common or preferred stock will not report on its federal
rn any of our items of income, gain, loss and deduction.
-exempt investor generally will not have UBTI attributable to
sale of our common or preferred stock unless its ownership
ebt-financed. In general, stock would be debt-financed if the
ner of stock incurs debt to acquire the stock or otherwise incurs
ot that would not have been incurred or maintained if the stock
quired.

me tax purposes, a regulated investment company or “mutual
have more than 25% of the value of its total assets, at the close
nvested in the securities of one or more qualified publicly
ips, which will include most MLPs. Shares of our common
curities of a qualified publicly traded partnership and will not
ch for purposes of calculating the limitation imposed upon
ment companies.

lding. We may be required to withhold, for U.S. federal
poses, a portion of all distributions (including redemption
ble to stockholders who fail to provide us with their correct
ication number, who fail to make required certifications or
notified by the Internal Revenue Service (“IRS”) that they are
p withholding (or if we have been so notified). Certain
ther stockholders specified in the Internal Revenue Code and
thereunder are exempt from backup withholding. Backup
not an additional tax. Any amounts withheld may be credited
kholder’s U.S. federal income tax liability provided the
rmation is furnished to the IRS in a timely manner.

Foreign stockholders, including stockholders who are
n individuals, may be subject to U.S. withholding tax on
ions at a rate of 30% or such lower rates as may be prescribed
le treaty. Our distributions also may be subject to state and

Taxation of Debt Securities

Tax Treatment of Holders of Debt Securities. Under present
he opinion that the debt securities will constitute indebtedness
for federal income tax purposes, which the discussion below
tend to treat all payments made with respect to the debt
stent with this characterization.

erest. Payments or accruals of interest on debt securities
e taxable to you as ordinary interest income at the time such
ved (actually or constructively) or accrued, in accordance with
thod of accounting for federal income tax purposes.

and Redemption of Debt Securities. Initially, your tax basis in
cquired generally will be equal to your cost to acquire such
This basis will increase by the amounts, if any, that you
ne under the rules governing market discount, and will
amount of any amortized premium on such debt securities, as
. When you sell or exchange any of your debt securities, or if
t securities are redeemed, you generally will recognize gain or
difference between the amount you realize on the transaction
d and unpaid interest, which will be

al income tax as interest in the manner described above) and
n the debt securities relinquished.

ssed below with respect to market discount, the gain or loss
ize on the sale, exchange or redemption of any of your debt
ally will be capital gain or loss. Such gain or loss will
g-term capital gain or loss if the disposed debt securities were
an one year and will be short-term capital gain or loss if the
ecurities were held for one year or less. Net long-term capital
by a noncorporate U.S. holder generally will be subject to
tax at a lower rate (as of the date of this prospectus a
s variable based on the holder's taxable income) than net
al gain or ordinary income (as of the date of this prospectus a
of 39.6%). For corporate holders, capital gain is generally
l income tax purposes at the same rate as ordinary income,
date of this prospectus at a maximum rate of 35%. A holder's
t capital losses may be limited.

emium. If you purchase debt securities at a cost greater than
cipal amount, plus accrued interest, you will be considered to
the debt securities at a premium, and you generally may elect
premium as an offset to interest income, using a constant
ver the remaining term of the debt securities. If you make the
rtize the premium, it generally will apply to all debt
you hold at the beginning of the first taxable year to which
lies, as well as any debt instruments that you subsequently
tion, you may not revoke the election without the consent of
elect to amortize the premium, you will be required to reduce
n the debt securities by the amount of the premium amortized
ding period. If you do not elect to amortize premium, the
ium will be included in your tax basis in the debt securities.
u do not elect to amortize the premium and you hold the debt
turity, you generally will be required to treat the premium as a
n the debt securities are redeemed.

nt. If you purchase debt securities at a price that reflects a
nt," any principal payments on or any gain that you realize on the
he debt securities generally will be treated as ordinary interest
xtent of the market discount that accrued on the debt securities
you held such debt securities. "Market discount" is defined
al Revenue Code as, in general, the excess of the stated
e at maturity over the purchase price of the debt security,
e market discount is less than 0.25% of the stated redemption
y multiplied by the number of complete years to maturity, the
t is considered to be zero. In addition, you may be required to
tion of all or a portion of any interest paid on any indebtedness
d or continued to purchase or carry the debt securities that
t a market discount. In general, market discount will be treated
bly over the term of the debt securities, or, at your election,

t yield method.

o include market discount in gross income currently as it
er a ratable or constant yield basis), in lieu of treating a
gain realized on a sale of the debt securities as ordinary
elect to include market discount on a current basis, the interest
ral rule described above will not apply and you will increase
e debt security by the amount of market discount you include
. If you do make such an election, it will apply to all market
struments that you acquire on or after the first day of the first
which the election applies. This election may not be revoked
sent of the IRS.

porting and Backup Withholding. In general, information
ements will apply to payments of principal, interest, and
, paid on debt securities and to the proceeds of the sale of debt
o U.S. holders other than certain exempt recipients (such as
ions). Information reporting generally will apply to payments
e debt securities to non-U.S. Holders (as defined above) and
ax, if any, withheld with respect to such payments. Copies of
returns reporting such interest payments and any withholding
de available to the tax authorities in the country in which the
r resides under the provisions of an applicable income tax
on, for non-U.S. Holders, information reporting will apply to
the sale of debt securities within the United States or
gh United States-related financial intermediaries unless the
uirements described below have been complied with and the
ibed below in “Taxation of Non-U.S. Holders” has been received
does not have actual knowledge or reason to know that the
ed States person) or the holder otherwise establishes an

uired to withhold, for U.S. federal income tax purposes, a
yments (including redemption proceeds) payable to holders of
who fail to provide us with their correct taxpayer identification
il to make required certifications or who have been notified by
y are subject to backup withholding (or if we have been so
n corporate and other shareholders specified in the Internal
and the regulations thereunder are exempt from backup
ackup withholding is not an additional tax. Any amounts
e credited against the holder's U.S. federal income tax liability
propriate information is furnished to the IRS. If you are a
r, you may have to comply with certification procedures to
on-U.S. status in order to avoid backup withholding tax
he certification procedures required to claim the exemption
ng tax on interest income described below will satisfy these

n-U.S. Holders. If you are a non-U.S. Holder, the payment of
ebt securities generally will be considered "portfolio interest"
lly will be exempt from U.S. federal withholding tax. This
apply to you provided that (1) interest paid on the debt
effectively connected with your conduct of a trade or business
ates, (2) you are not a bank whose receipt of interest on the
s described in Section 881(c)(3)(A) of the Code, (3) you do
constructively own 10 percent or more of the combined voting
sses of the Company's stock entitled to vote, (4) you are not a
gn corporation that is related, directly or indirectly, to the
gh stock ownership, and (5) you satisfy the certification
scribed below.

ertification requirements, either (1) the holder of any debt
certify, under penalties of perjury, that such holder is a
n and must provide such owner's name, address and taxpayer
umber, if any, on IRS Form W-8BEN, or (2) a securities
zation, bank or other financial institution that holds customer
ordinary course of its trade or business and holds the debt
half of the holder thereof must certify, under penalties of
has received a valid and properly executed IRS Form W-8BEN
cial holder and comply with certain other requirements.
ation rules apply for debt securities held by a foreign
other intermediaries.

securities received by a non-U.S. Holder that is not excluded
al withholding tax under the portfolio interest exemption as
e generally will be subject to withholding at a 30% rate, except
terest is effectively connected with the conduct of a U.S. trade
which case the interest will generally be subject to U.S. income
is as applicable to U.S. holders generally or (2) a
r can claim the benefits of an applicable income tax treaty to

nate such withholding tax. To claim the benefit of an income
claim an exemption from withholding because the interest is
nected with a U.S. trade or business, a non-U.S. Holder must
he appropriate, properly executed IRS forms. These forms
l to be periodically updated. Also, a non-U.S. Holder who is
nefits of an income tax treaty may be required to obtain a
dentification number and to provide certain documentary
by foreign governmental authorities to prove residence in the
.

n that a non-U.S. Holder realizes on a sale, exchange or other
ebt securities generally will be exempt from U.S. federal
uding withholding tax. This exemption generally will not
your gain is effectively connected with your conduct of a trade
he U.S. or you are an individual holder and are present in the
d or periods aggregating 183 days or more in the taxable year
on.

siderations

For taxable years beginning after December 31, 2012, a 3.8
generally be imposed on the net investment income of certain
a modified adjusted gross income of over $200,000
e case of joint filers) and on the undistributed net investment
in estates and trusts. For these purposes, "net investment
nerally include interest (including interest on our debt
dends (including dividends paid with respect to our stock),
ies, rent, net gain attributable to the disposition of property
de or business (including net gain from the sale, exchange

disposition of shares of our stock and debt securities) and
come, but will be reduced by any deductions properly allocable
or net gain.

olding. Beginning with payments made after December 31,
enacted legislation generally would impose a 30% withholding
s and interest paid with respect to our stock and debt securities
oceeds from a disposition of our stock and debt securities paid
financial institution (as defined in Section 1471(d)(4) of the
e foreign financial institution enters into an agreement with the
Department to collect and disclose information regarding its
lders (including certain account holders that are foreign
e U.S. owners) and satisfies certain other requirements, and
r non-U.S. entities unless the entity provides the payor with
tion regarding direct and indirect U.S. owners of the entity, or
has no such U.S. owners, and complies with certain other
he Internal Revenue Service recently announced that such
uirements will not be imposed on payments made prior to
. You are encouraged to consult with your own tax advisor
ossible implications of this recently enacted legislation on your
ur common stock.

s a general and abbreviated summary of the provisions of the
easury regulations in effect as they directly govern the taxation
and its security holders. These provisions are subject to
lative and administrative action, and any such change may be
curity holders (and prospective holders) are urged to consult
rs regarding specific questions as to U.S. federal, foreign, state,
other taxes.

STRATOR, CUSTODIAN AND FUND ACCOUNTANT

und Services, LLC, 615 East Michigan Street, Milwaukee,
02, serves as our administrator and provides certain back-office
oversight and supervision of the payment of expenses and
inancial statements and related schedules. We pay the
monthly fee computed at an annual rate of 0.04% of the first
r assets, 0.01% on the next $500 million of our assets and
balance of our assets.

onal Association, 1555 N. River Center Dr., Milwaukee,
2, serves as our custodian.

und Services, LLC, 615 East Michigan Street, Milwaukee,
02, serves as our fund accountant.

LEGAL MATTERS

ll LLP (“HB”), Kansas City, Missouri serves as our
n legal matters in connection with the securities offered hereby
pon for us by HB. HB may rely as to certain matters of
n the opinion of Venable LLP, Baltimore, Maryland.

matters in connection with an offering of securities are passed
l for the placement agents or underwriters of such offering,
the placement agents or underwriters will be named in a
plement.

AVAILABLE INFORMATION

to the informational requirements of the Exchange Act and the
re required to file reports, including annual and semi-annual
tatements and other information with the SEC. We voluntarily
ockholder reports. Our most recent annual shareholder report
EC is for our fiscal year ended November 30, 2012. These
available on the SEC’s EDGAR system and can be inspected
a fee at the SEC’s public reference room, 100 F Street, N.E.,
ashington, D.C. Additional information about the operation of
ence room facilities may be obtained by calling the SEC at
.

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does not contain all of the information in our registration
ding amendments, exhibits, and schedules. Statements in this
t the contents of any contract or other document are not
plete and in each instance reference is made to the copy of the
r document filed as an exhibit to the registration statement,
ment being qualified in all respects by this reference.

rmation about us can be found in our Registration Statement
ndments, exhibits and schedules) on Form N-2 filed with the
maintains a web site (http://www.sec.gov) that contains our
tement, other documents incorporated by reference, and other
have filed electronically with the SEC.

NTENTS OF THE STATEMENT OF ADDITIONAL
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$350,000,000

[Missing Graphic Reference]

Tortoise MLP Fund, Inc.

Common Stock
Preferred Stock
Debt Securities

PROSPECTUS

__________, 2013

ECT TO COMPLETION, DATED MARCH 29, 2013

n in this statement of additional information is not complete
nged. We may not sell these securities until the registration
with the Securities and Exchange Commission is
statement of additional information is not an offer to sell these
is not soliciting an offer to buy these securities in any state
or sale is not permitted.

TORTOISE MLP FUND, INC.

ATEMENT OF ADDITIONAL INFORMATION

Fund, Inc., a Maryland corporation (the "Company," "we," "us," or
-diversified, closed-end management investment company that
erations in July 2010.

of additional information relates to the offering, on an
tinuous or delayed basis, of up to $350,000,000 aggregate
price of our common stock, preferred stock and debt securities
offerings. This Statement of Additional Information does not
spectus, but should be read in conjunction with our prospectus
, 2013, and any related prospectus supplement. This
ditional information does not include all information that a
estor should consider before purchasing any of our securities.
ain and read our prospectus and any related prospectus
or to purchasing any of our securities. A copy of our
any related prospectus supplement may be obtained without
by calling 1-866-362-9331. You also may obtain a copy of our
any related prospectus supplement on the SEC's web site
.gov). Capitalized terms used but not defined in this statement
formation have the meanings ascribed to them in the
any related prospectus supplement.

of additional information is dated __________, 2013.

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INVESTMENT LIMITATIONS

pplements the disclosure in the prospectus and provides
mation on our investment limitations. Investment limitations
ndamental may only be changed with the approval of the
jority of our outstanding voting securities (which for this
der the Investment Company Act of 1940, as amended (the
ans the lesser of (1) 67% of the voting shares represented at a
h more than 50% of the outstanding voting shares are
2) more than 50% of the outstanding voting shares).

itations stated as a maximum percentage of our assets are only
ately after, and because of, an investment or a transaction by
limitation is applicable (other than the limitations on
cordingly, any later increase or decrease resulting from a
s, net assets or other circumstances will not be considered in
ether the investment complies with our investment limitations.
hat are based on a percentage of our Total Assets. We define
as the value of securities, cash or other assets held, including
ets obtained through leverage, and interest accrued but not yet

vestment Limitations

re our fundamental investment limitations set forth in their
y not:

securities, except as permitted by the 1940 Act and the rules
tive positions of the SEC thereunder;

ey, except as permitted by the 1940 Act and the rules and
positions of the SEC thereunder;

except by the purchase of debt obligations, by entering into
agreements or through the lending of portfolio securities and
e permitted by the 1940 Act and the rules and interpretive
the SEC thereunder;

(invest 25% or more of Total Assets) our investments in any
ndustry, except that we will concentrate our assets in the group
s constituting the energy sector;

securities issued by others, except to the extent that we may be
an underwriter within the meaning of the Securities Act of
ended (the “1933 Act”), in the disposition of restricted securities
portfolio;
sell real estate unless acquired as a result of ownership of
r other instruments, except that we may invest in securities or
ments backed by real estate or securities of companies that

l estate or interests therein; and

sell physical commodities unless acquired as a result of
of securities or other instruments, except that we may purchase
ns and futures contracts or invest in securities or other
backed by physical commodities.

ment policies are considered nonfundamental and may be
Board of Directors (the “Board of Directors” or the “Board”)
pproval of our outstanding voting securities.

l Investment Policies

d the following nonfundamental policies:

al circumstances, we will invest at least 80% of our Total
quity securities of MLPs in the energy infrastructure sector,
70% of our Total Assets in equity securities

nfrastructure MLPs. For purposes of these policies, we
ments in MLPs to include investments in affiliates of MLPs.

vest up to 50% of our Total Assets in restricted securities,
rough direct investments in securities of listed companies. We
est in privately-held companies.

invest more than 10% of our Total Assets in any single issuer.

) We will not engage in short sales.

the 1940 Act, we are not permitted to incur indebtedness
tely after such borrowing we have asset coverage of at least
gregate outstanding principal balance of indebtedness (i.e.,
ss may not exceed 33 1/3% of the value of our Total Assets
mount borrowed, less all liabilities and indebtedness not
senior securities). In addition, currently under the 1940 Act,
lare any distribution on any class of shares of our stock, or
our shares of stock (through tender offers or otherwise),
d satisfy this 300% asset coverage requirement test after
mount of the distribution or share purchase price, as the case
hat dividends may be declared upon any preferred stock if
rity representing indebtedness has an asset coverage of at
e time of declaration thereof after deducting the amount of
n. Currently under the 1940 Act, we are not permitted to issue
unless immediately after such issuance we have asset coverage
of the total of the aggregate amount of senior securities
ebtedness plus the aggregate liquidation value of the
ferred stock (i.e., the aggregate principal amount of such
d liquidation value may not exceed 50% of the value of our
cluding the proceeds of such issuance, less liabilities and
t represented by senior securities). In addition, currently under
e are not permitted to declare any distribution on our common
se any such common stock unless, at the time of such
urchase, we would satisfy this 200% asset coverage
after deducting the amount of such distribution or share price.

Act, a "senior security" does not include any promissory note or
ebtedness where such loan is for temporary purposes only and
t exceeding 5% of the value of the Total Assets of the issuer
oan is made. A loan is presumed to be for temporary purposes
thin sixty days and is not extended or renewed. Both
olving indebtedness and any preferred stock issued by us
dered senior securities under the 1940 Act, and as such, are
set coverage requirements discussed above.

the 1940 Act, we are not permitted to lend money or property
irectly or indirectly, if such person controls or is under
l with us, except for a loan from us to a company which owns

nding securities. Currently, under interpretative positions of SEC, we may not have on loan at any given time securities ore than one-third of our Total Assets.

r policies with respect to borrowing and lending to permit such y be lawful, to the full extent permitted by the 1940 Act or by the provisions therefrom pursuant to an exemptive order of

r policy with respect to concentration to include energy ompanies. See "Investment Objective and Principal Investment

Act, we may, but do not intend to, invest up to 10% of our the aggregate in shares of other investment companies and up tal Assets in any one investment company, provided the s not represent more than 3% of the voting stock of the ment company at the time such shares are purchased. As a ny investment company, we will bear our ratable share of that pany's expenses, and would remain subject to payment of our nd other expenses with respect to assets so invested. Holders of would therefore be subject to duplicative expenses to the t in other investment companies. In addition, the securities of t companies also may be leveraged and will therefore be ame leverage risks described herein and in the prospectus. The

market value of leveraged shares will be more volatile and the
lders will tend to fluctuate more than the yield generated by
res. A material decline in net asset value may impair our
ain asset coverage on any preferred stock and debt securities,
terest and principal for debt securities.

MENT OBJECTIVE AND PRINCIPAL INVESTMENT
STRATEGIES

presents our investment objective and principal investment
sks. This section supplements the disclosure in our prospectus
ditional information on our investment policies, strategies and
ns or policies stated as a maximum percentage of our assets
l immediately after a portfolio investment to which the policy
applicable (other than the limitations on borrowing).
y later increase or decrease resulting from a change in values,
er circumstances will not be considered in determining
estment complies with our restrictions and policies.

objective is to provide our stockholders a high level of total
mphasis on current distributions paid to stockholders. For
investment objective, total return includes capital appreciation
stock, and all distributions received from us, regardless of the
the distribution. There is no assurance that we will achieve
Our investment objective and the investment policies discussed
ndamental. The Board of Directors may change an investment
y policy or limitation that is not fundamental, without a
e. Stockholders will receive at least 60 days prior written
ange to the nonfundamental investment policy of investing at
r Total Assets in equity securities of energy infrastructure
most other investment companies, we are not treated as a
ment company under the U.S. Internal Revenue Code of 1986,
e "Internal Revenue Code"). Therefore, we are taxed as a regular
and are subject to federal and applicable state corporate income

ircumstances, we invest at least 80% of our Total Assets in
s of MLPs in the energy infrastructure sector, with at least
al Assets in equity securities of natural gas infrastructure
oses of these policies, we consider investments in MLPs to
ents in affiliates of MLPs. MLP affiliates are issuers of MLP
neral partners of MLPs. Such MLP equity securities currently
non units, convertible subordinated units, pay-in-kind units or
ares") and limited liability company common units. We also may
ecurities, consistent with our investment objective and
d nonfundamental policies.

ages contain more detailed information about the types of
ruments in which we may invest, strategies our investment

e Capital Advisors, L.L.C. (the "Adviser"), may employ in
tment objective and a discussion of related risks. Our Adviser
ese instruments or use these techniques unless it believes that
lp us achieve our objective. We have claimed an exclusion
ion of the term "commodity pool operator" under the
change Act and are therefore not subject to registration or
r such act.

Partnerships

ircumstances, we invest at least 80% of our Total Assets in
s of MLPs in the energy infrastructure sector, with at least
al Assets in equity securities of natural gas infrastructure
oses of these policies, we consider investments in MLPs to
ents in affiliates of MLPs. An MLP is an entity that is
as a partnership for federal income tax purposes and that
ar at least 90% of its gross income from "Qualifying Income".
me for MLPs includes interest, dividends, real estate rents,
le or disposition of real property, income and gain from
commodity futures, and income and gain from mineral or
s activities that generate Qualifying Income. MLP interests
) are traded on securities exchanges or over-the-counter. An
ation as a partnership and compliance with the Qualifying
nerally eliminates federal tax at the entity level.

e or more general partners (who may be individuals,
other partnerships) which manage the partnership, and limited
provide capital to the partnership but have no role in its
ypically, the general partner is owned by company
another publicly traded sponsoring corporation. When an
nits in an MLP, the investor becomes a limited partner.

ed in several ways. A nontraded partnership may decide to go
nontraded partnerships may roll up into a single MLP. A
y spin-off a group of assets or part of its business into an MLP
e general partner, to realize the assets' full value on the
selling the assets and using the cash proceeds received from
ress debt obligations or to invest in higher growth
while retaining control of the MLP. A corporation may fully
LP, although since 1986 the tax consequences have made this
option for most corporations. Unlike the ways described
possible for a newly formed entity to commence operations as
s inception.

general partner of an MLP, other energy companies, and
l assets to MLPs in order to generate cash to fund expansion
y debt. The MLP structure essentially transfers cash flows
these acquired assets directly to MLP limited partner

n MLP buying assets from its sponsor or general partner the
tended to be based upon comparable terms in the acquisition
ar assets. To help insure that appropriate protections are in
of the MLP generally creates an independent committee to
rove the terms of the transaction. The committee often obtains
on and can retain counsel or other experts to assist its
e both parties normally have a significant equity stake in the
es are aligned to see that the transaction is accretive and fair

ay relatively higher distributions than other types of
we intend to use these MLP distributions in an effort to meet
objective.

for the general partner to successfully manage the MLP and
ows, the terms of MLPs typically provide that the general
a larger portion of the net income as distributions reach
vels. As cash flow grows, the general partner receives a greater
ncremental income compared to the interest of limited partners.
ercentages vary among MLPs, the general partner's marginal
butions generally increases from 2% to 15% at the first
ibution target level moving up to 25% and ultimately 50% as
distribution per unit thresholds are met. Nevertheless, the
nt distributed to limited partners will increase as MLP

ach higher target levels. Given this incentive structure, the
has an incentive to streamline operations and undertake
l growth projects in order to increase distributions to all

LP itself generally does not pay federal income tax, its income
ted to its investors, irrespective of whether the investors
n payment or other distributions from the MLP. An MLP
quarterly cash distributions. Although they resemble
ends, MLP distributions are treated differently for tax
MLP distribution is treated as a return of capital to the extent of
asis in his MLP interest and, to the extent the distribution
estor's basis in the MLP, generally as capital gain. The
nal basis is the price paid for the units. The basis is adjusted
n each distribution and allocation of deductions (such as
d losses, and upwards with each allocation of taxable income

not incur federal income tax on distributions until: (1) he
nits and pays tax on his gain, which gain is increased due to
se due to prior distributions; or (2) his basis reaches zero.
are sold, the difference between the sales price and the
ted basis is gain or loss for federal income tax purposes.

MLPs is affected by supply and demand for energy
cause most MLPs derive revenue and income based upon the
nderlying commodity produced, transported, processed,
/or marketed. Pipeline MLPs have indirect commodity
and oil price volatility because although they do not own the
gy commodity, the general level of commodity prices may
ne of the commodity that the MLP delivers to its customers
providing services such as

---

ural gas liquids (“NGLs”). The costs of natural gas pipeline
m services may exceed the negotiated rates under “negotiated
Specifically, processing MLPs may be directly affected by
lity prices. Propane MLPs own the underlying energy
l therefore have direct exposure to energy commodity prices,
dviser intends to seek high quality MLPs that are able to
age direct margin exposure to commodity prices. The MLP
eral could be hurt by market perception that an MLP’s
d valuation are directly tied to commodity prices.

ergy infrastructure sector in which we invest can generally be
he following categories:

Pipeline MLPs are common carrier transporters of natural gas,
y propane, ethane, butane and natural gasoline), crude oil or
m products (gasoline, diesel fuel and jet fuel). Pipeline MLPs
e ancillary businesses such as storage and marketing of such
ne MLPs derive revenue from capacity and transportation
y, pipeline output has been less exposed to cyclical economic
low cost structure and government-regulated nature. In
pipeline MLPs have limited direct commodity price exposure
not own the product being shipped.

Ps. Processing MLPs are gatherers and processors of natural
roviders of transportation, fractionation and storage of NGLs.
Ps derive revenue from providing services to natural gas
h require treatment or processing before their natural gas
be marketed to utilities and other end user markets. Revenue
r is fee based, although it is not uncommon to have some
the prices of the natural gas and NGL commodities for a
ue.

Propane MLPs are distributors of propane to homeowners for
heating. Propane MLPs derive revenue from the resale of the
a margin over wholesale cost. The ability to maintain margin is
bility. Propane serves approximately 3% of the household
the United States, largely for homes beyond the geographic
gas distribution pipelines. Approximately 70% of annual cash
uring the winter heating season (October through March).
olumes are weather dependent, but have utility type functions
icity and natural gas.

g MLPs. Marine shipping MLPs are primarily marine
natural gas, crude oil or refined petroleum products. Marine
derive revenue from charging customers for the transportation
s utilizing the MLPs’ vessels. Transportation services are
ed pursuant to a charter or contract, the terms of which vary
or example, the length of use of a particular vessel, the amount
orted, the number of voyages made, the parties operating a

factors.

Production MLPs. Exploration and production MLPs ("E&P")
resources, including natural gas and crude oil, from long-life
ut the United States. Revenue is generated by the sale of
rude oil, resulting in direct commodity price exposure. E&P
ash flow volatility associated with commodity prices by
-year hedging strategies that fix the price of gas and oil

achieve distribution growth by internal and external means.
growth internally by experiencing higher commodity volume
onomy and population, and through the expansion of existing
ding increasing the use of underutilized capacity, pursuing
leverage and gain synergies with existing infrastructure and
ed "greenfield projects." External growth is achieved by making
itions.

ct to various federal, state and local environmental laws and
y laws as well as laws and regulations specific to their
ties. These laws and regulations address: health and safety
e operation of facilities, transportation systems and the
erials; air and water pollution requirements and standards;
osal requirements; land reclamation requirements; and
lating to the handling and disposition of hazardous materials.
ct to the costs of compliance with such laws applicable to
ges in such laws and regulations may adversely affect their
tions.

---

g interstate pipelines and storage facilities are subject to
lation by the Federal Energy Regulatory Commission ("FERC"),
interstate transportation rates, services and other matters
al gas pipelines including: the establishment of rates for
on of pipeline storage and liquefied natural gas facility
suing certificates of need for companies intending to provide
or constructing and operating interstate pipeline and storage
rtain other matters. FERC also regulates the interstate
f crude oil, including: regulation of rates and practices of oil
nies; establishing equal service conditions to provide shippers
ss to pipeline transportation; and establishment of reasonable
rting petroleum and petroleum products by pipeline.

ubject to liability relating to the release of substances into the
cluding liability under federal "Superfund" and similar state
gation and remediation of releases and threatened releases of
rials, as well as liability for injury and property damage for
ts, such as explosions or discharges of materials causing
and damage to property. Such potential liabilities could have a
e effect upon the financial condition and results of operations

ct to numerous business related risks, including: deterioration
damentals reducing profitability due to development of
gy sources, consumer sentiment with respect to global
ging demographics in the markets served, unexpectedly
precipitous changes in commodity prices and increased
t reduces the MLP's market share; the lack of growth of
ng growth through acquisitions; disruptions in transportation
pendence of certain MLPs upon the energy exploration and
tivities of unrelated third parties; availability of capital for
construction of needed facilities; a significant decrease in
duction due to depressed commodity prices or otherwise; the
Ps to successfully integrate recent or future acquisitions; and
l of the economy.

scussion and a general description of MLP federal income tax
section entitled "Certain Federal Income Tax Matters."

imarily invest in MLPs, we also may invest in companies that
ed as MLPs. Non-MLP companies may include companies that
assets but which are organized as corporations or limited
nies rather than in partnership form. Generally, the partnership
itable for companies that operate assets which generate more
s. Companies that operate "midstream" assets (e.g., transporting,
ing, distributing and marketing) tend to generate more stable
those that engage in exploration and development or delivery

ne end consumer. Non-MLP companies also may include
provide services directly related to the generation of income
ated assets, such as oil drilling services, pipeline construction
e, and compression services.

ustry and particular energy infrastructure companies may be
ed by possible terrorist attacks, such as the attacks that
otember 11, 2001. It is possible that facilities of energy
ompanies, due to the critical nature of their energy businesses
ates, could be direct targets of terrorist attacks or be indirectly
cks on others. They may have to incur significant additional
re to safeguard their assets. In addition, changes in the
ets after September 11, 2001 may make certain types of
difficult to obtain or obtainable only at significant additional
ent terrorism results in a lower level of economic activity,
otion could be adversely affected, which would reduce
npede growth. Terrorist or war related disruption of the capital
lso affect the ability of energy infrastructure companies to
pital.

s

curities in which we may invest include, but are not limited to,

curities. Consistent with our investment objective, we may
% of our Total Assets in equity securities issued by MLPs and
n the energy infrastructure sector, including common units,
ordinated units, I-Shares and limited liability company ("LLC")
each discussed

---

o may invest up to 20% of our Total Assets in equity securities
n the energy infrastructure sector.

uity securities will be affected by changes in the stock
may be the result of domestic or international political or
, changes in interest rates or changing investor sentiment. At
rkets can be volatile and stock prices can change substantially.
s risk will affect our net asset value per share, which will
value of the securities held by us change. Not all stock prices
ly or at the same time, and not all stock markets move in the
at the same time. Other factors affect a particular stock's prices,
rnings reports by an issuer, loss of major customers, major
t an issuer, or changes in governmental regulations affecting
verse news affecting one company can sometimes depress the
all companies in the same industry. Not all factors can be

urities of smaller companies may involve greater risk than is
investing in more established companies. Smaller
ompanies may have limited product lines, markets or financial
lack management depth or experience; and may be more
dverse general market or economic developments than larger
d companies.

Units. MLP common units represent an equity ownership
tnership, providing limited voting rights and entitling the
e of the company's success through distributions and/or capital
nlike stockholders of a corporation, common unitholders do
rs annually and generally have the right to vote only on
nt events, such as mergers, a sale of substantially all of the
of the general partner or material amendments to the
eement. MLPs are required by their partnership agreements to
e percentage of their current operating earnings. Common
erally have first right to a minimum quarterly distribution
to distributions to the convertible subordinated unitholders or
ner (including incentive distributions). Common unitholders
rrearage rights if the MQD is not met. In the event of
P common unitholders have first rights to the partnership's
s after bondholders, other debt holders, and preferred
e been paid in full. MLP common units trade on a national
nge or over-the-counter. In addition, like common stock,
common units are sensitive to general movements in the stock
op in the stock market may depress the price of MLP common
ve have exposure.

y Company Common Units. Some energy infrastructure
hich we may invest have been organized as LLCs. Such LLCs
e same manner as MLPs for federal income tax purposes.
its investment objective and policies, we may invest in

r other securities of such LLCs. LLC common units represent
rship interest in an LLC, entitling the holders to a share of the
hrough distributions and/or capital appreciation. Similar to
pically do not pay federal income tax at the entity level and
their operating agreements to distribute a large percentage of
erating earnings. LLC common unitholders generally have first
prior to distributions to subordinated unitholders and typically
ights if the MQD is not met. In the event of liquidation, LLC
lders have first right to the LLC's remaining assets after
her debt holders and preferred unitholders, if any, have been
C common units trade on a national securities exchange or
r.

LPs, LLCs have no general partner and there are generally no
entitle management or other unitholders to increased
cash distributions as distributions reach higher target levels. In
ommon unitholders typically have voting rights with respect
ereas MLP common units have limited voting rights.

le Subordinated Units. MLP convertible subordinated units are
by MLPs to founders, corporate general partners of MLPs,
assets to the MLPs, and institutional investors. The purpose
le subordinated units is to increase the likelihood that during
n period there will be available cash to be distributed to
lders. We expect to purchase subordinated units in direct
n such persons or other persons that may hold such units. MLP
ordinated units generally are not entitled to distributions until
non units have received specified MQD, plus any arrearages,
e less than common unitholders in distributions upon
vertible

itholders generally are entitled to MQD prior to the payment
tributions to the general partner, but are not entitled to
. Therefore, MLP convertible subordinated units generally
sk than MLP common units. They are generally convertible
nto the senior common units of the same issuer at a one-to-one
assage of time or the satisfaction of certain financial tests.
eans by which convertible subordinated units convert into
units depend on a security's specific terms, MLP convertible
its typically are exchanged for common shares. These units do
ational exchange or over-the-counter, and there is no active
ertible subordinated units. The value of a convertible
it is a function of its worth if converted into the underlying
Convertible subordinated units generally have similar voting
P common units. Distributions may be paid in cash or in-kind.

s of MLP Affiliates. In addition to equity securities of MLPs,
est in equity securities of MLP affiliates. MLP affiliates are
I-Shares and general partners of MLPs.

-Shares represent an indirect investment in MLP common
re equity securities issued by affiliates of MLPs, typically a
company, that owns an interest in and manages the MLP. The
gement rights but is not entitled to incentive distributions. The
assets consist exclusively of MLP common units. Distributions
rs in the form of additional I-Shares are generally equal in
Units received by the I-Share issuer. The issuer of the I-Share
poration; however, the MLP does not allocate income or loss
suer. Accordingly, investors receive a Form 1099, are not
proportionate share of income of the MLPs and are not subject
tax filing obligations based solely on the issuer's operations

Interests of MLPs are typically retained by an MLP's original
as its founders, corporate partners, entities that sell assets to
vestors. An entity holding general partner interests, but not its
e liable under certain circumstances for amounts greater than
he entity's investment in the general partner interest. General
often confer direct board participation rights and in many
control, over the MLP. These interests themselves are
ublicly traded, although they may be owned by publicly traded
l partner interests receive cash distributions, typically 2% of
egate cash distributions, which are contractually defined in the
eement. In addition, holders of general partner interests
ncentive distribution rights ("IDRs"), which provide them with a
he aggregate MLP cash distributions as the distributions to
unitholders are increased to prescribed levels. General partner
lly cannot be converted into common units. The general
can be redeemed by the MLP if the MLP unitholders choose
eneral partner, typically with a supermajority vote by limited

ers.

P Equity Securities. We also may invest up to 20% of our
common and preferred stock, limited liability company
d partner interests, convertible securities, warrants and
pts of companies that are organized as corporations, limited
nies or limited partnerships. Common stock generally
quity ownership interest in an issuer. Although common stocks
y generated higher average total returns than fixed-income
he long term, common stocks also have experienced
ore volatility in those returns and may under-perform relative
securities during certain periods. An adverse event, such as
earnings report, may depress the value of a particular common
. In addition, prices of common stocks are sensitive to general
he stock market and a drop in the stock market may depress
mon stocks to which we have exposure. Common stock prices
veral reasons including changes in investors' perceptions of the
ion of an issuer or the general condition of the relevant stock
ccurrence of political or economic events which effect the
ion, common stock prices may be particularly sensitive to
ates, which increases borrowing costs and the costs of capital.

uid and Thinly-Traded Securities. We may invest up to 50% of
s in restricted securities primarily through direct investments
isted companies. Restricted securities are less liquid than
d in the open market, therefore, we may not be able to readily
ies. Investments currently considered by our Adviser to be
of such restrictions include subordinated convertible units and
acements of common units. Such securities are unlike
re traded in the open market, which can be expected to be sold
he market is adequate. The sale price of

re not readily marketable may be lower or higher than the
t recent determination of their fair value. In addition, the value
es typically requires more reliance on the judgment of our
at required for securities for which there is an active trading
the difficulty in valuing these securities and the absence of an
arket for these securities, we may not be able to realize these
value, or may have to delay their sale in order to do so.

rities generally can be sold in private transactions, pursuant to
om registration under the 1933 Act, or in a registered public
ssuer of the restricted securities has an effective registration
e with the SEC covering the restricted securities, our Adviser
o deem restricted securities as liquid. To enable us to sell our
stricted security not registered under the 1933 Act, we may
ose securities to be registered. When we must arrange
ause we wish to sell the security, a considerable period may
the time the decision is made to sell the security and the time
egistered so that we can sell it. We would bear the risks of any
e fluctuation during that period.

a large institutional market developed for certain securities
stered under the 1933 Act, including private placements,
ements, commercial paper, foreign securities and corporate
s. These instruments are often restricted securities because the
ther themselves exempt from registration or were sold in
requiring registration, such as Rule 144A transactions.
estors generally will not seek to sell these instruments to the
but instead will often depend on an efficient institutional
n such unregistered securities can be resold or on an issuer's
a demand for repayment. Therefore, the fact that there are
egal restrictions on resale to the general public or certain
ot dispositive of the liquidity of such investments.

er the 1933 Act establishes a "safe harbor" from the registration
the 1933 Act for resales of certain securities to qualified
yers. Institutional markets for restricted securities that exist or
a result of Rule 144A may provide both readily ascertainable
cted securities and the ability to liquidate an investment. An
mber of qualified institutional buyers interested in purchasing
ible securities held by us, however, could affect adversely the
f such portfolio securities and we might be unable to dispose
es promptly or at reasonable prices.

vest in securities that may not be restricted, but are
lthough securities of certain MLPs trade on the New York
e ("NYSE"), NYSE MKT LLC (formerly known as AMEX), the
onal Market or other securities exchanges or markets, such
have a trading volume lower than those of larger companies
tively smaller capitalizations. Such securities may be difficult

a fair price during times when we believe it is desirable to do
d securities are also more difficult to value and our Adviser's
value will often be given greater weight than market
y exist. If market quotations are not available, thinly-traded
e valued in accordance with procedures established by the
ent of capital in thinly-traded securities may restrict our ability
ge of market opportunities. The risks associated with
curities may be particularly acute in situations in which our
ire cash and could result in us borrowing to meet our short
ncurring losses on the sale of thinly-traded securities.

reements. We may enter into "repurchase agreements" backed
ment securities. A repurchase agreement arises when we
rity and simultaneously agree to resell it to the vendor at an
ure date. The resale price is greater than the purchase price,
reed upon market rate of return that is effective for the period
the security and that is not related to the coupon rate on the
rity. Such agreements generally have maturities of not more
and could be used to permit us to earn interest on assets
rm investment. We require continuous maintenance by the
ur account in the Federal Reserve/Treasury Book Entry
teral in an amount equal to, or in excess of, the market value
that are the subject of a repurchase agreement. Repurchase
uring in more than seven days are considered illiquid
e event of a bankruptcy or other default of a seller of a
ement, we could experience both delays in liquidating the
rity and losses, including: (a) possible decline in the value of
security during the period while we seek to enforce our rights
sible subnormal levels of income and lack of access to income
od; and (c) expenses of enforcing its rights.

hase Agreements. We may enter into reverse repurchase
temporary purposes with banks and securities dealers if the
s of the bank or securities dealer has been determined by our
atisfactory. A reverse repurchase agreement is a repurchase
hich we are the seller of, rather than the investor in, securities
purchase them at an agreed-upon time and price. Use of a
ase agreement may be preferable to a regular sale and later
ecurities because it avoids certain market risks and transaction

en we enter into a reverse repurchase agreement, liquid assets
J.S. Government securities or other “high-grade” debt
ours having a value at least as great as the purchase price of
be purchased will be segregated on our books and held by the
ghout the period of the obligation. The use of reverse
ements by us creates leverage which increases our investment
me and gains on securities purchased with the proceeds of
ns exceed the cost, our earnings or net asset value will increase
rwise would be the case; conversely, if the income and gains
e cost, earnings or net asset value would decline faster than
d be the case. We intend to enter into reverse repurchase
y if the income from the investment of the proceeds is
greater than the expense of the transaction, because the
vested for a period no longer than the term of the reverse
ement.

ing. Although we do not currently intend to, we may in the
in borrowing of up to 33 1/3% of our Total Assets for
poses when our Adviser believes it will enhance returns.
ng creates certain additional risks. For example, should the
re pledged to brokers to secure margin accounts decline in
brokers from which we have borrowed increase their
argin requirements (i.e., reduce the percentage of a position
nced), then we could be subject to a “margin call,” pursuant to
either deposit additional funds with the broker or suffer
dation of the pledged securities to compensate for the decline
event of a precipitous drop in the value of our assets, we might
quidate assets quickly enough to pay off the margin debt and
ndatory liquidation of positions in a declining market at
rices, thereby incurring substantial losses. For these reasons,
wings for investment purposes is considered a speculative
tice. Any use of margin borrowing by us would be subject to
of the 1940 Act, including the prohibition on our issuing more
f senior securities, and the asset coverage requirements
r in this statement of additional information. See “Investment

ansactions. We may, but are not required to, use interest rate
h as swaps, caps and floors in an attempt to reduce the interest

from our leveraged capital structure. There is no assurance
rate hedging transactions into which we enter will be effective
exposure to interest rate risk. Hedging transactions are subject
sk, which is the risk that payment on our hedging transactions
te exactly with our payment obligations on senior securities.

est rate transactions is a highly specialized activity that
nent techniques and risks different from those associated with
io security transactions. In an interest rate swap, we would
he other party to the interest rate swap (known as the
a fixed rate payment in exchange for the counterparty agreeing
riable rate payment that is intended to approximate our
yment obligation on any variable rate borrowings or preferred
nent obligations would be based on the notional amount of the
rest rate cap, we would pay a premium to the counterparty to
cap and, to the extent that a specified variable rate index
termined fixed rate, it would receive from the counterparty
difference based on the notional amount of such cap. In an
or, we would be entitled to receive, to the extent that a
falls below a predetermined interest rate, payments of interest
incipal amount from the party selling the interest rate floor.
ate transactions are outstanding, we will segregate liquid assets
ian in an amount equal to its net payment obligation under the
erefore, depending on the state of interest rates in general, our
ate transactions could enhance or decrease cash flow available
nts with respect to any preferred shares. Furthermore, to the
is a decline in interest rates, the value of the interest rate
ld decline, which could result in a decline in our net asset
on, if the counterparty to an interest rate transaction defaults,
e able to use the anticipated net receipts under the interest rate
ffset our cost of financial leverage.

ing. We may lend securities to parties such as broker-dealers
investors. Securities lending allows us to retain ownership of
aned and, at the same time, to earn additional income. Because
lays in the recovery of loaned securities, or even a loss of
ral supplied should the borrower fail financially, loans will be
rties deemed by our Adviser to be of good credit and legal
ermore, loans of securities will only be made if, in our
nent, the consideration to be earned from such loans would

derstands that it is the current view of the SEC staff that we
oan transactions only under the following conditions: (1) we
0% collateral in the form of cash or cash equivalents (e.g.,
ills or notes) from the borrower; (2) the borrower must
lateral whenever the market value of the securities loaned
a daily basis) rises above the value of the collateral; (3) after
e must be able to terminate the loan at any time; (4) we must
ble interest on the loan or a flat fee from the borrower, as well
valent to any dividends, interest, or other distributions on the
d and to any increase in market value; (5) we may pay only
odian fees in connection with the loan; and (6) the Board must
proxies on the securities loaned, either by terminating the loan
nto an alternative arrangement with the borrower.

estments and Defensive Investments. Pending investment of
an offering (which we expect may take up to approximately
llowing the closing of an offering), we may invest up to 100%
proceeds in cash, cash equivalents, securities issued or
he U.S. Government or its instrumentalities or agencies, high
rm money market instruments, short-term debt securities,
eposit, bankers' acceptances and other bank obligations,
per rated in the highest category by a rating agency or other
curities-all of which are expected to provide a lower yield than
MLPs and their affiliates. We also may invest in such
a temporary basis to meet working capital needs including, but
he need for collateral in connection with certain investment
old a reserve pending payment of dividends, and to facilitate
expenses and settlement of trades. We anticipate that under
conditions not more than 5% of our Total Assets will be
e instruments.

market or economic conditions, we may invest 100% of our
these securities. The yield on such securities may be lower
on MLP securities or yields on lower rated fixed income
e extent that we use this strategy, we may not achieve our
ctive.

MANAGEMENT OF THE COMPANY

fficers

d affairs are managed under the direction of the Board of
rdingly, the Board of Directors provides broad supervision
including supervision of the duties performed by our Adviser.
responsible for our day-to-day operations. Our Board of
rently comprised of five directors, three of whom are not
ons" (as defined in the 1940 Act) of our Adviser or its affiliates
Directors"). The names, ages and addresses of each of our
ficers, together with their principal occupations and other
ng the past five years, are set forth below. Each director and
l office for his respective term and until his successor is duly
lified, or until he resigns or is removed in the manner provided
otherwise indicated, the address of each director and officer is
et, Leawood, Kansas 66211.

OSITION(S) ELD WITH OMPANY, TERM OF OFFICE AND ENGTH OF TIME SERVED	PRINCIPAL OCCUPATION DURING PAST FIVE YEARS	NUMBER OF PORTFOLIOS IN FUND COMPLEX OVERSEEN BY DIRECTOR(1)	OTHER PUBLIC COMPANY DIRECTORSHIPS HELD
rector since 10	Associate Professor of Risk Management and Insurance, Robinson College of Business, Georgia State University (faculty member since 1999); Director of Personal Financial Planning Program; Investment Consultant to the University System of Georgia for its defined contribution retirement plan; Formerly Faculty Member, Pennsylvania State University (1997-1999); Published a number of academic and professional journal articles on investment company performance and structure, with a focus on MLPs.	7	CorEnergy Infrastructure Trust, Inc. (formerly Tortoise Capital Resources Corporation)
rector since 10	Executive-in-Residence and Professor of Finance (part-time), College of Business Administration, Kansas State University (has served as a professor or adjunct professor since 1970); Chairman of the		

Board, President and CEO, Graham Capital Management, Inc., primarily a real estate development, investment and venture capital company; Owner of Graham Ventures, a business services and venture capital firm; Part-time Vice President Investments, FB Capital Management, Inc. (a registered investment adviser), since 2007; formerly, CEO, Kansas Farm Bureau Financial Services, including seven affiliated insurance or financial service companies

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	(1979-2000).		
Director since 2010	Retired in 1999, Formerly Chief Investment Officer, GE Capital’s Employers Reinsurance Corporation (1989-1999). Chartered Financial Analyst (“CFA”) designation since 1974.	7	CorEnergy Infrastructure Trust, Inc. (formerly Tortoise Capital Resources Corporation)
Director and Chairman of the Board since 2010	Managing Director of the Adviser since 2002; Member, Fountain Capital Management, LLC (“Fountain Capital”), a registered investment adviser, (1990-May 2009); Director and Chairman of the Board of each of TYG, TYY, TYN, TPZ, TTP and NDP since its inception and of Tortoise Capital Resources	7	None

	Corporation ("TTO"), which changed its name to CorEnergy Infrastructure Trust, Inc. on December 3, 2012 ("CORR"), from its inception through November 2011. CFA designation since 1988.		
Chief Executive Officer since 2010; Director since November 12, 2012	Managing Director of the Adviser since 2002; Director of each of TYG, TYY, TYN, TPZ and TTO from its inception to September 15, 2009; Director of each of TYG, TYY, TYN, TPZ, TTP and NDP since November 12, 2012; Chief Executive Officer of each of TYG, TYY, TYN and TPZ since May 2011 and of each of TTP and NDP since its inception; Chief Financial Officer of each of TYG, TYY, TYN	7	None

and TPZ from
its inception
to May 2011,

	and of TTO from its inception to June 2012. CFA designation since 1985.		
President since 2010	Managing Director of the Adviser since 2002; Joined Fountain Capital in 1997 and was a Partner there from 2001 through September 2012. President of each of TYG, TYY and TPZ since May 2011 and of each of TTP and NDP since its inception; Senior Vice President of TYY from 2005 to May 2011, of TTO from 2005 through November 2011, of TYG from 2007 to May 2011, of TYN since 2007, and of TPZ	N/A	None

	from its inception to May 2011. CFA designation since 1998.		
Chief Financial Officer since 2010	Managing Director of the Adviser since January 2013; Director of Financial Operations of the Adviser since 2005; Chief Financial Officer of each of TYG, TYY, TYN and TPZ since May 2011 and of each of TTP and NDP since its inception; Assistant Treasurer of each of TYG, TYY, and TYN from April 2008 to May 2011, of TPZ from its inception to May 2011, and of TTO from its inception to June 2012.	N/A	None
Senior Vice	Managing Director of	N/A	None

President and Treasurer since 2010	the Adviser since 2002; Joined Fountain Capital in 2002 and was a Partner there from 2004 through September 2012; Treasurer of each of TYG, TYY and TYN since 2005, of each of TPZ, TTP and NDP since its inception and

	of TTO from 2005 through November 2011; Senior Vice President of TYY since 2005, of each of TYG and TYN since 2007, of each of TPZ, TTP and NDP since its inception, and of TTO from 2005 through November 2011. CFA designation since 1996.	N/A	None
Senior Vice President since 2010	Managing Director of the Adviser since 2002; Managing Director of Corridor InfraTrust Management, LLC, an affiliate of the Adviser; President and Chief Executive Officer of each of TYG, TYY and TPZ from its inception to May 2011; Chief Executive Officer of TYN from 2005 to May 2011 and President of	N/A	CorEnergy Infrastructure Trust, Inc. (formerly Tortoise Capital Resources Corporation)

TYN from 2005 to September 2008; Chief Executive Officer of TTO /CORR since 2005 and President of TTO from 2005 to April 2007 and TTO/CORR since June 2012; Senior Vice President of each of TYG, TYY, TYN, and TPZ since May 2011, and of each of TTP and NDP since its inception. CFA designation since 1992.

r includes us, TYG, TYY, TYN, TPZ, TTP and NDP. Our
o serves as the investment adviser to TYG, TYY, TYN, TPZ,
DP.

of their respective positions held with our Adviser or its
ese individuals are considered “interested persons” of ours
neaning of the 1940 Act.

e experience provided in the table above, each director
llowing qualifications, attributes and skills, each of which
e conclusion to invite them to join our Board of Directors: Mr.
erience as a college professor, a Ph.D. in finance and expertise
tructure MLPs; Mr. Graham, experience as a college
utive leadership and business experience; Mr. Heath, executive
business experience; and Mr. Birzer, investment management
n executive, portfolio manager and leadership roles with our

and qualifications considered for each director prior to their
our Board of Directors were their character and integrity;
a director for other funds in the Tortoise fund complex; and
s and ability to serve and commit the time necessary to
ies of a director. In addition, as to each director other than Mr.
Matlack, their status as an Independent Director; and, as to Mr.
Matlack, their roles with our Adviser were an important factor
n as directors. No experience, qualification, attribute or skill
ntrolling.

es as Chairman of the Board of Directors. Mr. Birzer is an
on" of ours within the meaning of the 1940 Act. The
Mr. Birzer as Chairman reflects the Board of Director's belief
nce, familiarity with our day-to-day operations and access to
n responsibility for our management and operations provides
rectors with insight into our business and activities and, with
propriate administrative support, facilitates the efficient
meeting agendas that address our business, legal and other
rderly conduct of meetings of the Board of Directors. Mr.
Lead Independent Director. The Lead Independent Director
er things, chair executive sessions of the three directors who
t Directors, serve as a spokesperson for the Independent
erve as a liaison between the Independent Directors and our
he Independent Directors will regularly meet outside the
nagement and are advised by independent legal counsel. The
ors also has determined that its leadership structure, as
e, is appropriate in light of our size and complexity, the
pendent Directors and the Board of Directors' general oversight
The Board of Directors also believes that its leadership
ly facilitates the orderly and efficient flow of information to
t Directors from management, but also enhances the
d orderly exercise of its responsibilities.

it and valuation committee consisting of three Independent
Audit Committee"). The Audit Committee members are Conrad
hairman), John R. Graham and Charles E. Heath. The Audit
nction is to oversee our accounting policies, financial reporting
ntrol system. The Audit Committee makes recommendations
lection of our independent registered public accounting firm,
ependence of such firm, reviews the scope of the audit and
s, considers and reports to the Board on matters relating to our
financial reporting practices, and performs such other tasks as
eems necessary or appropriate. The Audit Committee held
n the fiscal year ended November 30, 2012.

inating and governance committee that consists exclusively of
ent Directors (the "Nominating Committee"). The Nominating
nbers are Conrad S. Ciccotello, John R. Graham (Chairman)
Heath. The Nominating Committee's function is to nominate

dependent Director candidates, review the compensation
or each of the directors, review corporate governance issues
nts, and develop and recommend to the Board corporate
delines and procedures, to the extent appropriate. The
mmittee will consider nominees recommended by
long as such recommendations are made in accordance with
 The Nominating Committee held one meeting in the fiscal
ember 30, 2012.

compliance committee that consists exclusively of three
rectors (the “Compliance Committee”). The Compliance
nction is to review and assess management’s compliance with
rities laws, rules and regulations, monitor compliance with our
and handle other matters as the Board or committee chair
ate. The Compliance Committee members are Conrad S.
R. Graham and Charles E. Heath (Chairman). The
mmittee held one meeting in the fiscal year ended November

n Executive Committee consisting of Kevin Birzer and Charles
uthority to exercise the powers of the Board (i) to address
ters where assembling the full Board in a timely manner is
r (ii) to address matters of an administrative or ministerial
zer is an “interested person” within the meaning of the 1940
ence of either member of the Executive Committee, the
ber is authorized to act alone. The Executive Committee held
he fiscal year ended November 30, 2012.

irectors' role in our risk oversight reflects its responsibility
e state law to oversee generally, rather than to manage, our
ne with this oversight responsibility, the Board of Directors
orts and make inquiry at its regular meetings and as needed
ature and extent of significant risks (including investment,
valuation risks) that potentially could have a materially
on our business operations, investment performance or
relies upon our management to assist it in identifying and
he nature and extent of such risks and determining whether,
ent, such risks may be eliminated or mitigated. In addition to
r information received from our management regarding our
gram and activities, the Board of Directors as part of its risk
s will meet at its regular meetings and as needed with our
Compliance Officer to discuss, among other things, risk issues
rding our policies, procedures and controls. The Board of
e assisted in performing aspects of its role in risk oversight by
mittee and such other standing or special committees as may be
n time to time. For example, the Audit Committee will
with our independent public accounting firm to review, among
orts on our internal controls for financial reporting.

irectors believes that not all risks that may affect us can be
t may not be practical or cost-effective to eliminate or mitigate
at it may be necessary to bear certain risks (such as
ted risks) to achieve our goals and objectives, and that the
edures and controls employed to address certain risks may be
effectiveness. Moreover, reports received by the directors as to
nt matters are typically summaries of relevant information and
ate or incomplete. As a result of the foregoing and other
management oversight of the Board of Directors is subject to
ations.

fficers who are interested persons of ours or the Administrator
salary or fees from us. For the 2013 fiscal year, each
rector receives from us an annual retainer of $34,000 (plus an
0 for the Chairman of the Audit Committee and an additional
other committee chairman) and a fee of $1,000 (and
for related expenses) for each meeting of the Board or Audit
nded in person (or $500 for each Board or Audit Committee
d telephonically, or for each Audit Committee meeting
on that is held on the same day as a Board meeting), and an
for each other committee meeting attended in person or
No director or officer is entitled to receive pension or
fits from us.

sets forth the compensation paid to the directors by us for the
d November 30, 2012.

sition With pany	Aggregate Compensation From the Company	Aggregate Compensation From the Company and Fund Complex Paid to Directors*
rectors		
otello	$46,000	$ 198,000
n	$45,000	$ 195,000
h	$45,000	$ 195,000
tors		
r	$ 0	$ 0
k	$ 0	$ 0

able sets forth the dollar range of equity securities beneficially director of the Company as of December 31, 2012.

Director	Aggregate Dollar Range of Company Securities Beneficially Owned By Director**	Aggregate Dollar Range of Equity Securities in all Registered Investment Companies Overseen by Director in Family of Investment Companies*
rectors		
otello	$10,001-$50,000	Over $100,000
n	Over $100,000	Over $100,000
h	$10,001-$50,000	Over $100,000
tors		
	$50,001-$100,000	Over $100,000
k	$50,001-$100,000	Over $100,000

Includes the Company, TYG, TYY, TYN, TPZ, TTP and NDP.

As of December 31, 2012, the officers and directors of the Company, as a group, owned less than 1% of any class of the Company's outstanding shares of stock.

1, 2013, the following persons owned of record or beneficially f our common stock:

ess	Shares Held	Percentage of Outstanding Shares
LC		

er		
0	12,362,575	26.52
ce	6,829,027	14.65
	5,074,451	10.89
LLC a Street	3,709,884	7.96
ew t	2,939,154	6.30
cial eet	2,364,522	5.07
& ry	2,351,834	5.05
al	8,268,953	17.96
ce		

	7,951,509	17.27
J	5,252,955	11.41
. LLC er	5,025,174	10.91
LLC a Street	3,708,348	8.05

1, 2013, the following persons owned of record or beneficially
f our MRP Shares.

Address	Shares Held	Percent of Outstanding Shares
Mutual Life et ssachusetts	3,000,000	83.3%
a Life pany a Plaza ka	400,000	11.1%
surance Row 5102	200,000	5.6%

of Directors and Officers

ermits a Maryland corporation to include in its charter a
ng the liability of its directors and officers to the corporation
ders for money damages except for liability resulting from
ot of an improper benefit or profit in money, property or
ctive and deliberate dishonesty which is established by a final
ng material to the cause of action. Our Charter contains such a
eliminates directors' and officers' liability to the maximum
d by Maryland law and the 1940 Act.

horizes, to the maximum extent permitted by Maryland law
ct, us to indemnify any present or former director or officer or
who, while a director or officer of ours and at our request,
rved another corporation, real estate investment trust,
nt venture, trust, employee benefit plan or other enterprise as a
, partner or trustee, from and against any claim or liability to
on may become subject or which that person may incur by
her status as a present or former director or officer of ours or
former director, officer, partner or trustee of another
l estate investment trust, partnership, joint venture, trust,
fit plan or other enterprise, and to pay or reimburse his or her
nses in advance of final disposition of a proceeding. Our
e us, to the maximum extent permitted by Maryland law to
present or former director or officer or any individual who,
of ours and at our request, serves or has served another
l estate investment trust, partnership, joint venture, trust,
fit plan or other enterprise as a director, officer, partner or
is made, or threatened to be made, a party to the proceeding
or her service in that capacity from and against any claim or
h that person may become subject or which that person may
of his or her status as a present or former director or officer of
or reimburse his or her reasonable expenses in advance of
of a proceeding. Our obligation to

---

director, officer or other individual, however, is limited by the
prohibits us from indemnifying any director, officer or other
uding advancing legal fees or making payments for settlements
from any liability resulting from the willful misconduct, bad
igence in the performance of duties or reckless disregard of
gations and duties of the directors, officers or other individuals.
m extent permitted by Maryland law and the 1940 Act, our
aws also permit us to indemnify and advance expenses to any
ved a predecessor of ours in any of the capacities described
employee or agent of ours or a predecessor of ours.

d law requires a corporation (unless its charter provides
h our Charter does not) to indemnify a director or officer who
sful, on the merits or otherwise, in the defense of any
hich he is made, or threatened to be made, a party by reason
that capacity. Maryland law permits a corporation to
esent and former directors and officers, among others, against
alties, fines, settlements and reasonable expenses actually
m in connection with any proceeding to which they may be
ened to be made, a party by reason of their service in those or
unless it is established that (a) the act or omission of the
er was material to the matter giving rise to the proceeding and
ted in bad faith, or (2) was the result of active and deliberate
he director or officer actually received an improper personal
y, property or services or (c) in the case of any criminal
director or officer had reasonable cause to believe that the act
s unlawful.

r Maryland law, a Maryland corporation may not indemnify
udgment in a suit by or in the right of the corporation or for a
bility on the basis that personal benefit was improperly
in either case a court orders indemnification and then only for
dition, Maryland law permits a corporation to advance
nses to a director or officer upon the corporation's receipt of
irmation by the director or officer of his good faith belief that
tandard of conduct necessary for indemnification by the
d (b) a written undertaking by him or on his behalf to repay the
reimbursed by the corporation if it is ultimately determined
d of conduct was not met. Our obligation to indemnify any
or other individual, however, is limited by the 1940 Act,
us from indemnifying any director, officer or other individual
ty resulting from the willful misconduct, bad faith, gross
e performance of duties or reckless disregard of applicable
duties of the directors, officers or other individuals.

iser

l Advisors, L.L.C. serves as our investment adviser. Our
izes in managing portfolios of investments in MLPs and other

es. Our Adviser was formed in 2002 to provide portfolio
rvices exclusively with respect to energy infrastructure
 September 15, 2009, Mariner Holdings, LLC acquired a
t in our Adviser. Our Adviser is now wholly-owned by
gs, LLC. Mariner Holdings, LLC through its wholly-owned
ntage Investments LLC, owns a majority interest in Tortoise
with the remaining interests held by the five members of our
tment committee and certain other senior employees of our
gement of our Adviser, its investment committee and its funds
ged since inception. In September 2009, the five members of
nvestment committee entered into employment agreements with
t had a 3-year initial term as well as two 1-year automatic
normal circumstances.

ocated at 11550 Ash Street, Suite 300, Leawood, Kansas
ebruary 28, 2013, our Adviser had approximately $10.5 billion
management in the energy sector.

nvestment Advisory Agreement (the “Advisory Agreement”),
bject to overall supervision by the Board, manages our
ur Adviser regularly provides us with investment research
rvision and will furnish continuously an investment program
nt with our investment objective and policies.

 management of our portfolio is the responsibility of a team of
ers consisting of David J. Schulte, H. Kevin Birzer, Zachary
neth P. Malvey, and Terry C. Matlack, all of whom are
ctors of our Adviser and members of its investment committee
nsibility for

t management. It is the policy of the investment committee
mber can require our Adviser to sell a portfolio company and
r can veto the committee's decision to invest in a portfolio
nembers of our Adviser's investment committee are full-time
ur Adviser.

able provides information about the number of and total assets
ts managed on a day-to-day basis by each of the portfolio
November 30, 2012.

ger	Number of Accounts	Total Assets of Accounts	Number of Accounts Paying a Performance Fee	Total Assets of Accounts Paying a Performance Fee
	9	$4,666,042,898	0	-
	9	$79,897,435	1	$19,046,678
	642	$3,007,398,950	0	-
cles				
nel				
	9	$4,666,042,898	0	-
	9	$79,897,435	1	$19,046,678
	642	$3,007,398,950	0	-
cles				
vey				
	9	$4,666,042,898	0	-
	9	$79,897,435	1	$19,046,678
	642	$3,007,398,950	0	-
cles				
k				
	9	$4,666,042,898	0	-
	9	$79,897,435	1	$19,046,678
	642	$3,007,398,950	0	-
cles				
e				
	9	$4,666,042,898	0	-
	9	$79,897,435	1	$19,046,678
	642	$3,007,398,950	0	-

cles

. Schulte, Matlack, Birzer, Hamel or Malvey receive any
ation from us or any other of the managed accounts reflected in
Messrs. Birzer, Hamel, Malvey, Matlack and Schulte are
yees of our Adviser and receive a fixed salary for the services
ach of Messrs. Schulte, Matlack, Birzer, Hamel and Malvey
nterest in Tortoise Holdings, LLC, the sole member of our
ch thus benefits from increases in the net income of our

able sets forth the dollar range of our equity securities
ned by each of the portfolio managers as of November 30,

ger	Aggregate Dollar Range of Company Securities Beneficially Owned by Manager
r	$50,001 - $100,000
nel	$50,001 - $100,000
vey	Over $100,000
k	$50,001 - $100,000
e	$50,001 - $100,000

ortfolio management services, our Adviser is obligated to
rd and officers with certain statistical information and reports,
naintenance of various books and records and to arrange for
of records in accordance with applicable federal law and
der the Advisory Agreement, we pay our Adviser a fee equal
lly of our average monthly Managed Assets for the services
Managed Assets means our Total Assets minus the sum of
es other than

tax liability, (2) debt entered into for the purpose of leverage,
egate liquidation preference of any outstanding preferred
viser has agreed to a fee waiver of 0.15% of average monthly
s for the period from January 1, 2013 through December 31,
average monthly Managed Assets for the period from January
December 31, 2014, and 0.05% of average monthly managed
eriod from January 1, 2015 through December 31, 2015. This
only be terminated early by mutual agreement of the Adviser
f Directors. In addition, the Adviser has contractually agreed
s due under the Advisory Agreement related to the net
ed from the issuance of additional common stock under the
he-market equity program for a six month period following the
.

nagement fees paid to our Adviser are based upon a
ur Managed Assets, fees paid to our Adviser are higher when
d; thus, our Adviser will have an incentive to leverage us. Our
to leverage us only when it believes it will serve the best
stockholders. Our average monthly Managed Assets are
the purpose of calculating the management fee by taking the
monthly determinations of Managed Assets during a given
. The fees are payable for each calendar quarter within five
end of that quarter. Net deferred tax assets are not included in
of our management fee. For the fiscal year ended November
dviser received $11,235,402 as compensation for advisory
$3,663,080 in reimbursed fees and expenses. For the fiscal
ember 30, 2012, the Adviser received $12,236,478 as
or advisory services, net of $3,275,763 in reimbursed fees and

greement provides that we will pay all expenses other than
stated to be payable by our Adviser, which expenses payable
ude, without limitation: (1) expenses of maintaining and
existence and related overhead, including, to the extent
vided by personnel of our Adviser or its affiliates, office space
aining and benefits, (2) our registration under the 1940 Act,
s, spreads, fees and other expenses connected with the
ding and disposition of securities and other investments
ment and similar fees in connection with direct placements
our behalf, (4) auditing, accounting, tax and legal service
xes and interest, (6) governmental fees, (7) expenses of listing
a stock exchange, and expenses of issue, sale, repurchase and
ny) of our interests, (8) expenses of registering and qualifying
es under federal and state securities laws and of preparing and
on statements and amendments for such purposes, (9) expenses
ng with stockholders, including website expenses and the
paring, printing and mailing press releases, reports and other
holders and of meetings of stockholders and proxy
refor, (10) expenses of reports to governmental officers and

11) insurance expenses, (12) association membership dues,
ses and disbursements of custodians and subcustodians for all
ncluding without limitation safekeeping of funds, securities
ments, keeping of books, accounts and records, and
f NAVs), (14) fees, expenses and disbursements of transfer
l and interest paying agents, stockholder servicing agents and
services to us, (15) compensation and expenses of our
e not members of our Adviser's organization, (16) pricing,
her consulting or analytical services employed by us, (17) all
ed in connection with leveraging of our assets through a line
r indebtedness or issuing and maintaining notes or preferred
xpenses incurred in connection with offerings of our common
ock and debt securities, and (19) such non-recurring items as
ding expenses incurred in connection with litigation,
l claims and our obligation to indemnify our directors, officers
s with respect thereto.

greement provides that our Adviser will not be liable in any
ault, failure or defect in any of the securities comprising the
s satisfied the duties and the standard of care, diligence and
the Advisory Agreement. However, our Adviser will be liable
s, damage, claim, cost, charge, expense or liability resulting
er's willful misconduct, bad faith or gross negligence or
r Adviser of our Adviser's duties or standard of care, diligence
h in the Advisory Agreement or a material breach or default
s obligations under the Advisory Agreement.

greement has a term ending on December 31, 2013 and may
om year to year thereafter as provided in the 1940 Act. The
ement will be submitted to the Board of Directors for renewal
cussion regarding the basis of the Board of Directors' decision
ontinuation of the Advisory Agreement is available in our
o Stockholders for the fiscal year ended

2012. The Advisory Agreement will continue from year to
uch continuance is approved by a majority of the Board or by
ers of a majority of our outstanding voting securities.
e Advisory Agreement must be approved annually by vote of
e Independent Directors. The Advisory Agreement may be
ur Adviser or us, without penalty, on sixty (60) days' written
her. The Advisory Agreement will terminate automatically in
assignment.

viser have each adopted a Code of Ethics under Rule 17j-1 of
hich is applicable to officers, directors and designated
s and our Adviser (collectively, the "Codes"). Subject to certain
Codes permit those officers, directors and designated
urs and our Adviser ("Covered Persons") to invest in securities,
ties that may be purchased or held by us. The Codes contain
requirements designed to identify and address certain conflicts
een personal investment activities of Covered Persons and the
stment advisory clients such as ours. Among other things, the
certain types of transactions absent prior approval, imposes
ring which personal transactions may not be made in certain
equires submission of duplicate broker confirmations and
quarterly reporting of securities transactions. Exceptions to
provisions of the Codes may be granted in particular
fter review by appropriate personnel.

hics can be reviewed and copied at the SEC's Public Reference
ngton, D.C. Information on the operation of the Public
n may be obtained by calling the SEC at (202) 551-8090. Our
s also available on the EDGAR Database on the SEC's Internet
w.sec.gov , and, upon payment of a duplicating fee, by
st at the following e-mail address: publicinfo@sec.gov or by
''s Public Reference Section, Washington, D.C. 20549-0102.

hics is also available on our Adviser's website at
visors.com.

PORTFOLIO TRANSACTIONS

rtfolio Transactions

responsible for decisions to buy and sell securities for us,
lection, and negotiation of brokerage commission rates. Our
ry consideration in effecting a security transaction will be to
execution. In selecting a broker-dealer to execute each
ction, our Adviser will take the following into consideration:
e available; the reliability, integrity and financial condition of
er; the size of and the difficulty in executing the order; and the

pected contribution of the broker-dealer to our investment
a continuing basis. Accordingly, the price to us in any
be less favorable than that available from another
the difference is reasonably justified by other aspects of the
ces offered.

o direct investments in MLP securities may impact our ability
estment objective because of the limited number of MLP
ble for investment and, in some cases, the relatively small
s of certain securities. Accordingly, we may, from time to
arrangements with placement agents in connection with direct
actions.

acement agent proposals, we will consider each broker's access
LP securities and experience in the MLP market, particularly
ment market. In addition to these factors, we will consider
posed services are customary, whether the proposed fee
ithin the range of customary rates, whether any proposal
us to enter into transactions involving a minimum fee, dollar
me of securities, or into any transaction whatsoever, and other
demnification provisions.

policies as the Board may from time to time determine, our
ot be deemed to have acted unlawfully or to have breached any
eason of its having caused us to pay a broker or dealer that
age and research services to our Adviser an amount of
effecting an investment transaction in excess of the amount of
other broker or dealer would have charged for

ansaction, if our Adviser determines in good faith that such
mission was reasonable in relation to the value of the
esearch services provided by such broker or dealer, viewed in
hat particular transaction or our Adviser's overall
with respect to us and to other clients of our Adviser as to
ser exercises investment discretion. Our Adviser is further
locate the orders placed by it on behalf of us to such brokers
o also provide research or statistical material or other services
er or to any sub-adviser. Such allocation shall be in such
oportions as our Adviser shall determine, and our Adviser will
llocations regularly to the Board indicating the brokers to
cations have been made and the basis therefor. For the fiscal
vember 30, 2011 and November 30, 2012, we paid aggregate
missions of $165,485 and $148,152, respectively. No direct
were paid in fiscal 2011 or 2012.

ver

folio turnover rate may vary greatly from year to year.
nnot accurately predict our annual portfolio turnover rate, it is
exceed 30% under normal circumstances. For the fiscal years
er 30, 2011 and November 30, 2012, the portfolio turnover rate
d 15.14%, respectively. However, portfolio turnover rate is
a limiting factor in the execution of our investment decisions.
er rate results in correspondingly greater brokerage
d other transactional expenses that are borne by us. High
er also may result in our recognition of gains that will increase
accumulated earnings and profits resulting in a greater portion
ons being treated as taxable dividends for Federal income tax
Certain Federal Income Tax Matters."

NET ASSET VALUE

e NAV of our common stock as of the close of trading of the
y 4:00 p.m. Eastern time) no less frequently than the last
each calendar month and at such other times as the Board of
determine. When considering an offering of common stock, we
AV on a more frequent basis, generally daily, to the extent
mply with the provisions of the 1940 Act. We currently intend
AV available for publication weekly on our Adviser's website.
hare of common stock equals our NAV divided by the number
standing common stock. Our NAV equals the value of our
s: (i) all of our liabilities (including accrued expenses and both
deferred tax liabilities); (ii) accumulated and unpaid
any outstanding preferred stock; (iii) the aggregate liquidation
ny outstanding preferred stock; (iv) accrued and unpaid interest
y outstanding indebtedness; (v) the aggregate principal
outstanding indebtedness; and (vi) any distributions payable on

ck.

ine the value of our assets and liabilities in accordance with
dures adopted by our Board of Directors. Securities for which
ns are readily available shall be valued at "market value." If a
nnot be obtained or if our Adviser determines that the value of
obtained does not represent value as of the measurement date
cant development subsequent to the time its price is
therwise), value for the security shall be determined pursuant
ogies established by our Board of Directors.

equity securities and equity-related securities is determined
ily available market quotations from the principal market. For
uity-related securities that are freely tradable and listed on a
hange or over the counter market, value is determined using
rice on that exchange or over-the-counter market on the
date. If the security is listed on more than one exchange, we
rice of the exchange that we consider to be the principal
which the security is traded. Securities listed on the NASDAQ
l at the NASDAQ Official Closing Price, which may not
present the last sale price. If a security is traded on the
date, then the last reported sale price on the exchange or
nter ("OTC") market on which the security is principally traded,
of valuation, is used. If there were no reported sales on the
ncipal exchange or OTC market on the measurement date, then
etween the last bid price and last asked price, as reported by
rvice, shall be used. We will obtain direct written
quotations if a security is not traded on an exchange or
not available from an approved pricing service. Exchange

will be valued at the mean of the best bid and best asked
ll option exchanges.

urity of a publicly traded company acquired in a private
nsaction without registration is subject to restrictions on resale
t the security's liquidity and value. Such securities that are
to publicly traded common shares or securities that may be
to Rule 144 will generally be valued based on the value of the
e common share counterpart less an applicable discount.
e discount will initially be equal to the discount at which we
e securities. To the extent that such securities are convertible or
come freely tradable within a time frame that may be
termined, an amortization schedule may be determined for the

securities (other than the short-term securities as described
lued by (i) using readily available market quotations based
updated sale price or a market value from an approved pricing
ated by a pricing matrix based upon yield data for securities
haracteristics or (ii) by obtaining a direct written
quotation from a dealer who has made a market in the

ne security acquired in a private placement transaction without
subject to restrictions on resale that can affect the security's
value. Among the various factors that can affect the value of a
ed security are (i) whether the issuing company has freely
income securities of the same maturity and interest rate (either
itial public offering or otherwise); (ii) whether the company
ve registration statement in place for the securities; and (iii)
rket is made in the securities. The securities normally will be
ortized cost unless the portfolio company's condition or other
o a determination of value at a different amount.

curities, including bonds, notes, debentures and other fixed
ities, and money market instruments such as certificates of
mercial paper, bankers' acceptances and obligations of
foreign banks, with remaining maturities of 60 days or less,
able market quotations are readily available are valued on an
st basis.

will be valued at market value pursuant to written valuation
lopted by our Board of Directors, or if a market value cannot

r if our Adviser determines that the value of a security as so
. not represent value as of the measurement date (due to a
velopment subsequent to the time its price is determined or
alue shall be determined pursuant to the methodologies
/ our Board of Directors.

et asset value, we will review the valuation of the obligation
s separately for current taxes and deferred taxes due to the
t of each on (i) the anticipated timing of required tax payments
act of each on the treatment of distributions by us to our

between current and deferred income taxes is determined based
of assets reported for book purposes compared to the
ax bases of assets for federal income tax purposes. It is
cash distributions from MLPs in which we invest will not
nt of taxable income allocable to us primarily as a result of
d amortization deductions recorded by the MLPs. This may
in a portion of the cash distribution received by us not being
ne for federal income tax purposes. The relative portion of
ns not treated as income for tax purposes will vary among the
will vary year by year for each MLP, but in each case will
aining tax basis, if any, in the particular MLP. The Adviser
directly confirm the portion of each distribution recognized as
when it receives annual tax reporting information from each

ERTAIN FEDERAL INCOME TAX MATTERS

s a general summary of certain federal income tax
affecting us and our security holders. This discussion does not
mplete or to deal with all aspects of federal income taxation
evant to security holders in light of their particular
or who are subject to special rules, such as banks, thrift
certain other financial institutions, real estate investment
. investment companies, insurance companies, brokers and
ities or currencies, certain

s, tax-exempt investors, individual retirement accounts,
rred accounts, foreign investors, and persons who will hold the
osition in a "straddle," "hedge" or as part of a "constructive sale" for
tax purposes. In addition, this discussion does not address the
tion of the U.S. federal alternative minimum tax. Tax matters
cated, and the tax consequences of an investment in and
ecurities will depend on the particular facts of each investor's
tors are advised to consult their own tax advisors with respect
on to their own circumstances of the general federal income
escribed below and with respect to other federal, state, local or
sequences to them before making an investment in our
ss otherwise noted, this discussion assumes that investors are
d hold our securities as capital assets.

' generally is a beneficial owner of our securities that is, for U.S.
tax purposes, any one of the following:

or resident of the United States;

ration, partnership or other entity created in or organized under
of the United States or any political subdivision thereof;

e, the income of which is subject to U.S. federal income
regardless of its source; or

ubject to the supervision of a court within the United States
control of a United States person.

older" is a beneficial owner of our securities that is not a U.S.

(including an entity or arrangement treated as a partnership for
ome tax purposes) holds our securities, the tax treatment of a
artnership will generally depend upon the status of the partner
s of the partnership. A prospective security holder that is a
ding our securities or a partner of such a partnership should
or its own tax adviser with respect to the purchase, ownership
of our securities.

very complicated and the tax consequences to a U.S. person
erson of an investment in our securities will depend on the
or its particular situation. We encourage investors to consult
dvisers regarding the specific consequences of such an
uding tax reporting requirements, the applicability of federal,
foreign tax laws and the effect of any possible changes in the

ral Income Taxation

as a C corporation for federal and state income tax purposes.
ligated to pay federal and state income tax on our taxable
l invest our assets primarily in equity securities of MLPs,
are treated as partnerships for federal income tax purposes.
the MLPs, we must report our allocable share of the MLP's
in computing our taxable income regardless of whether the
distributions. Based upon our review of the historic results of
s in which we intend to invest, we expect that the cash flow
at least initially, with respect to our MLP investments will
ble income allocated to us. There is no assurance that our
arding the distribution from the partnerships exceeding taxable
e partnerships will be realized. If this expectation is not
may be greater tax expense borne by us and less cash available
stockholders or to pay to creditors. In addition, we will take
determining our taxable income the amounts of gain or loss
he sale of MLP interests. Currently, the maximum regular
tax rate for a corporation is 35 percent. We may be subject to a
ral alternative minimum tax on our alternative minimum
to the extent that the alternative minimum tax exceeds our
income tax. The extent to which we are required to pay
he tax or alternative minimum tax could materially reduce our
o make distributions on the common shares.

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ted as a regulated investment company under the Internal
The Internal Revenue Code generally provides that a
ment company does not pay an entity level income tax,
distributes all or substantially all of its income. Our assets do
expected to, meet current tests for qualification as a regulated
pany for federal income tax purposes. Although changes to
me tax laws permit regulated investment companies to invest
eir total assets in securities of certain MLPs, such changes still
us to pursue our objective. Accordingly, we do not intend to
ral income tax status as a result of such legislation. Therefore,
vestment company taxation rules have no application to us or
lers.

treated as a corporation for federal income tax purposes, our
ents reflect deferred tax assets or liabilities according to
ted accounting principles. This differs from many closed-end
xed as regulated investment companies under the Internal
Deferred income taxes reflect (i) taxes on unrealized
which are attributable to the temporary difference between fair
d tax basis, (ii) the net tax effects of temporary differences
rying amounts of assets and liabilities for financial reporting
e amounts used for income tax purposes and (iii) the net tax
nulated net operating losses and capital losses. To the extent
red tax asset, consideration is given as to whether or not a
ance is required. We will periodically assess the need to
ation allowance for deferred tax assets based on the criterion
he Statement of Financial Accounting Standards, Accounting
es ("SFAS" No. 109) that it is more likely than not that some
the deferred tax asset will not be realized. Our assessment
g other matters, the nature, frequency and severity of current
losses, forecasts of future profitability (which are highly
ture MLP cash distributions), the duration of statutory
riods and the associated risk that operating loss and capital
rds may expire unused. In addition, a substantial change in our
limit our ability to utilize our loss carryforwards. We will
iew the recoverability of deferred tax assets based on the
ble evidence. Accordingly, realization of a deferred tax asset
whether there will be sufficient taxable income of the
racter within the carryforward periods to realize a portion or
ed tax benefit. We will accrue deferred federal income tax
ted with that portion of MLP distributions considered to be a
urn of capital, as well as capital appreciation of our
on the sale of an MLP security, we may be liable for
rred taxes, if any. We will rely to some extent on information
MLPs, which is not necessarily timely, to estimate deferred
purposes of financial statement reporting and determining our
e to time we will modify our estimates or assumptions
eferred tax liability as new information becomes available.

ne Taxation of MLPs. MLPs are similar to corporations in
out differ in others, especially in the way they are taxed for
tax purposes. A corporation is a distinct legal entity, separate
olders and employees and is treated as a separate entity for
tax purposes as well. Like individual taxpayers, a corporation
ral income tax on its income. To the extent the corporation
come to its stockholders in the form of dividends, the
ust pay federal income tax on the dividends they receive. For
said that corporate income is double-taxed, or taxed at two

tisfies the Qualifying Income rules described below, and does
vise, is treated for federal income tax purposes as a
tity. No federal income tax is paid at the partnership level. A
come is considered earned by all the partners; it is allocated
artners in proportion to their interests in the partnership
ovided in the partnership agreement), and each partner pays
r its share of the partnership's income. All the other items that
ning taxable income and tax owed are passed through to the
— capital gains and losses, deductions, credits, etc. Partnership
aid to be single-taxed or taxed only at one level — that of the

venue Code generally requires "publicly traded partnerships" to
rporations for federal income tax purposes. However, if the
partnership satisfies certain requirements and does not elect
ublicly traded partnership will be taxed as a partnership for
tax purposes, referred to herein as an MLP. Under these
n MLP must derive each taxable year at least 90% of its gross
ualifying Income.

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me for MLPs includes interest, dividends, real estate rents,
le or disposition of real property, certain income and gain
ies or commodity futures, and income and gain from certain
al resources activities. Mineral or natural resources activities
ualifying Income include income and gains from the
elopment, mining or production, processing, refining,
ncluding pipelines transporting gas, oil or products thereof),
g of any mineral or natural resource (including fertilizer,
rgy, and timber), industrial source carbon dioxide, or
r storage of certain alcohol-based fuels or certain biodiesel
ns that most MLPs today are in energy, timber, or real estate
es.

P itself does not pay federal income tax, its income or loss is
nvestors, irrespective of whether the investors receive any
yment from the MLP. It is important to note that an MLP
d on his share of partnership income whether or not he actually
sh or other property from the partnership. The tax is based not
her property he actually receives, but his proportionate share of
rship earns. However, most MLPs make it a policy to make
utions to their partners that will comfortably exceed any
d. Although they resemble corporate dividends, MLP
treated differently for federal income tax purposes. The MLP
eated as a return of capital to the extent of the investor's basis
rest and, to the extent the distribution exceeds the investor's
P interest, as capital gain. The investor's original basis is
ice paid for the units. The basis is adjusted downward with
n and allocation of deductions (such as depreciation) and
ards with each allocation of income and gain.

erally will not be taxed on MLP distributions until (1) he sells
nd pays tax on his gain, which gain is increased due to the
esulting from prior distributions; or (2) his basis reaches zero.
are sold, the difference between the sales price and the
ted basis is the gain or loss for federal income tax purposes.

son an MLP investor will receive a Schedule K-1 form
estor's share of each item of the partnership's income, gain,
and credits. The investor will use that information to figure
xable income (MLPs generally provide their investors with
lks them through all the steps). If there is net income derived
the investor pays federal income tax at his, her or its tax rate.

a corporation, we, and not our stockholders, will report the
of the MLPs. Thus, our stockholders will not have to deal with
K-1 reporting income and loss items of the MLPs.
nstead, will receive a Form 1099 from us.

Taxation of U.S. Holders of Common and Preferred Stock

Tax Treatment of U.S. Holders of Common Stock. Unlike a
ct interest in MLPs, a stockholder will not include its allocable
ome, gains, losses or deductions in computing its own taxable
, since we are of the opinion that, under present law, the
will constitute equity, distributions with respect to such shares
ributions in redemption of shares subject to Section 302(b) of
venue Code) will generally constitute dividends to the extent of
rrent or accumulated earnings and profits, as calculated for
tax purposes. Generally, a corporation's earnings and profits
ased upon taxable income, with certain specified adjustments.
bove, based upon the historic performance of the MLPs, we
he distributed cash from the MLPs will exceed our share of the
and our gain on the sale of MLP interests. Our current earnings
be increased if our portfolio turnover is increased. Thus, a
return of capital portion of the distributions we receive from
increase in our portfolio turnover may increase our current
ofits and increase the portion of our distributions treated as
posed to a tax deferred return of capital. In addition, earnings
reated generally, for federal income tax purposes, as first
ay distributions on preferred stock, and then to the extent
y, to pay distributions on the common stock. Thus, we
nly a portion of the distributions of DCF will be treated as
e to common stockholders. To the extent that distributions to a
eed our current and accumulated earnings and profits, the
asis in shares of stock with respect to which the distribution is
duced, which may increase the amount of gain realized upon
shares. If a stockholder has no further basis in

ockholder will report any excess distributions as capital gain if
holds such shares as a capital asset.

rrent or accumulated earnings and profits generally will be
ary income to holders but are expected to be treated as
end income” that is generally subject to reduced rates of federal
for noncorporate investors and are also expected to be
dividends received deduction available to corporate
der Section 243 of the Internal Revenue Code. Under federal
qualified dividend income received by individual and other
ockholders is taxed at long-term capital gain rates, which as of
Statement of Additional Information is variable based on the
xable income. Qualified dividend income generally includes
domestic corporations and dividends from
rations that meet certain criteria. To be treated as qualified
e, the stockholder must hold the shares paying otherwise
end income more than 60 days during the 121-day period
ys before the ex-dividend date (or more than 90 days during
iod beginning 90 days before the ex-dividend date in the case
rred stock dividends attributable to periods exceeding
ockholder’s holding period may be reduced for purposes of this
holder engages in certain risk reduction transactions with
ommon or preferred stock.

ers should be aware that certain limitations apply to the
he dividends received deduction, including limitations on the
nt of the deduction that may be claimed and limitations based
period of the shares of common or preferred stock on which
paid, which holding period may be reduced if the holder
reduction transactions with respect to its shares. Corporate
consult their own tax advisors regarding the application of
s to their particular situation.

ockholder participates in our Automatic Dividend
lan, such stockholder will be treated as receiving the amount
ons made by the Company, which amount generally will be
he amount of the cash distribution the stockholder would have
tockholder had elected to receive cash or, for shares issued by
he fair market value of the shares issued to the stockholder.

Tax Treatment of U.S. Holders of Preferred Stock. Under
are of the opinion that preferred stock will constitute equity,
utions with respect to preferred stock (other than distributions
f preferred stock subject to Section 302(b) of the Internal
will generally constitute dividends to the extent of our current
earnings and profits, as calculated for federal income tax
dividends generally will be taxable as ordinary income to
expected to be treated as qualified dividend income that is
ct to reduced rates of federal income taxation for noncorporate

e also expected to be eligible for the dividends received
able to corporate stockholders under Section 243 of the
e Code. Please see the discussion above on qualified dividend
dividends received deductions.

ofits are generally treated, for federal income tax purposes, as
to pay distributions on the preferred stock, and then to the
g, if any, to pay distributions on the common stock.
excess of the Company's earnings and profits, if any, will first
older's adjusted tax basis in his or her preferred stock and, after
basis is reduced to zero, will constitute capital gains to a
o holds such shares as a capital asset.

The sale of shares of common or preferred stock by holders
e a taxable transaction for federal income tax purposes.
es of stock who sell such shares will generally recognize gain
ount equal to the difference between the net proceeds of the
djusted tax basis in the shares sold. If the shares are held as a
he time of the sale, the gain or loss will generally be a capital
milarly, a redemption by us (including a redemption resulting
ation), if any, of all the shares actually and constructively held
r generally will give rise to capital gain or loss under
of the Internal Revenue Code, provided that the redemption
represent declared but unpaid dividends. Other redemptions
se to capital gain or loss, but certain conditions imposed by
of the Internal Revenue Code must be satisfied to achieve such

loss will generally be long-term capital gain or loss if the
d for more than one year and will be short-term capital gain or
sed shares were held for one year or less. Net long-term
ognized by a noncorporate U.S. holder generally will be
al income tax at a lower rate (currently is variable based on the
xable income) than net short-term capital gain or ordinary
ne date of this Statement of Additional Information a
of 39.6%). For corporate holders, capital gain is generally
ne rate as ordinary income, that is, currently at a maximum rate
er's ability to deduct capital losses may be limited.

or other dispositions of shares may be disallowed under "wash
e event of other investments in the Company (including those
o reinvestment of dividends) or other substantially identical
es within a period of 61 days beginning 30 days before and
after a sale or other disposition of shares. In such a case, the
ion of any loss generally would be included in the U.S. federal
s of the shares acquired. Stockholders should consult their
s regarding their individual circumstances to determine
rticular transaction in the Company's shares is properly treated
S. federal income tax purposes and the tax treatment of any
recognized in such transactions.

l Backup Withholding. In general, information reporting will
utions in respect of stock and the proceeds from the sale,
er disposition of stock that are paid to a U.S. holder within the
nd in certain cases, outside the United States), unless the
mpt recipient. In addition, we may be required to withhold, for
ome tax purposes, such payments payable to stockholders who
s with their correct taxpayer identification number, who fail to
ertifications or who have been notified by the Internal
e ("IRS") that they are subject to backup withholding (or if we
otified). Certain corporate and other stockholders specified in
venue Code and the regulations thereunder are exempt from
lding. Backup withholding is not an additional tax. Any
ld may be credited against the stockholder's U.S. federal
ility provided the appropriate information is furnished to the
manner.

Taxation of Non-U.S. Holders of Common and Preferred

estment in the shares is appropriate for a Non-U.S. stockholder
that person's particular circumstances. An investment in the
-U.S. stockholder may have adverse tax consequences.
holders should consult their tax advisers before investing in

dend distributions paid by us to a Non-U.S. stockholder are
olding of U.S. federal income tax at a rate of 30% (or lower
y rate). If the distributions are effectively connected with a
siness of the Non-U.S. stockholder (and, if required by an
me tax treaty, are attributable to a permanent establishment
he Non-U.S. stockholder in the United States), we will not be
hold federal income tax if the Non-U.S. stockholder complies
certification and disclosure requirements, although the
ll be subject to federal income tax at the rates applicable to
rs. Any such effectively connected dividends may, under
tances, be subject to an additional "branch profits tax" at a 30%
er rate as may be specified by an applicable income tax treaty.
ation requirements apply to a Non-U.S. stockholder that is a
hip or a foreign trust, and such entities are urged to consult
lvisers.)

der generally will not be taxed on any gain recognized on a
ur stock (or warrants or subscription rights to acquire such
able) unless:

effectively connected with the Non-U.S. holder's conduct of a
siness in the United States and, if required by an applicable
treaty, is attributable to a permanent establishment maintained
-U.S. stockholder in the United States; in these cases, the gain
ed on a net income basis at the regular graduated rates and in
applicable to U.S. holders (unless an applicable income tax
ides otherwise) and, under certain circumstances, the "branch
' described above may also apply;

.S. holder is an individual who holds our stock (or warrants or
n rights, as applicable) as a capital asset, is present in the
tes for more than 182 days in the taxable year of the
and meets other requirements (in which case, except as
provided by an applicable income tax treaty, the gain, which
set by U.S. source capital losses, generally will be subject to a
.S. federal income tax, even though the Non-U.S. holder is not
a resident alien under the Code); or

ave been a "U.S. real property holding corporation" for U.S.
ome tax purposes at any time during the shorter of the
eriod ending on the date of disposition or the period that the
older held our stock (or warrants or subscription rights, as
.

rporation is a "U.S. real property holding corporation" if the fair
its "U.S. real property interests" equals or exceeds 50% of the
market value of its worldwide real property interests plus its
d or held for use in a trade or business. For this purpose, we
e treated as owning our proportionate share of the assets of a
which we own an equity interest. The determination of whether
al property holding corporation at any given time will depend
ur assets and their fair market values at such time, which is
ict, and it is possible that we will be a U.S. real property
tion.

ur shares were regularly traded on an established securities
me during the calendar year of the disposition, the tax relating
S. real property holding corporation generally will only apply

S. holder whose holdings, direct and indirect, of regularly
erests (including warrants or subscription rights to acquire
her than an interest solely as a creditor at any time during the
e period, constituted more than 5% of such class of interests,

S. holder who owns non-regularly traded interests (including
or subscription rights to acquire stock) other than solely as a
with a fair market value greater than the fair market value of
regularly traded class of stock with the lowest fair market
nerally determined upon acquisition of such interests
. holders who do not satisfy (i) and (ii), a "Non-5% holder").

hares are listed on the NYSE. Although not free from doubt,
ares should be considered to be regularly traded on an
rities market for any calendar quarter during which they are

d on the NYSE by brokers or dealers that hold themselves out
ır common shares at the quoted price.

re not considered to be regularly traded on an established
et at any time during the applicable calendar year, then a
would be taxed for U.S. federal income tax purposes on any
the disposition of our shares on a net income basis as if the
tively connected with the conduct of a U.S. trade or business
holder during the taxable year and, in such case, the person
a Non-5% holder generally would have to withhold 10% of the
roceeds of the disposition. Such withholding may be reduced
ursuant to a withholding certificate issued by the Service in
applicable U.S. Treasury regulations. We urge all Non-U.S.
ılt their own tax advisers regarding the application of these

der who is a non-resident alien individual, and who is
ct to withholding of federal income tax, may be subject to
orting and backup withholding of federal income tax on
s the Non-U.S. stockholder provides us or the dividend paying
RS Form W-8BEN (or an acceptable substitute or successor
ise meets documentary evidence requirements for establishing
U.S. stockholder or otherwise establishes an exemption from
ding.

are owned or treated as owned by an individual who is not a
esident of the United States (as specially defined for U.S.
x purposes) at the time of death will be included in the

ss estate for U.S. federal estate tax purposes, unless an
e tax or other treaty provides otherwise and, therefore, may be
federal estate tax.

ns should consult their own tax advisers with respect to the
deral income tax and withholding tax, and state, local and
sequences of an investment in the shares.

Tax-Exempt Investors and Regulated Investment
nployee benefit plans, other tax-exempt organizations and
ment companies may want to invest in our securities.
fit plans and most other organizations exempt from federal
uding individual retirement accounts and other retirement
ct to federal income tax on unrelated business taxable income
use we are a corporation for federal income tax purposes, an
of common or preferred stock will not report on its federal
rn any of our items of income, gain, loss and deduction.
-exempt investor generally will not have UBTI attributable to
sale of our common or preferred stock unless its ownership
ebt-financed. In general, stock would be debt-financed if the
er of stock incurs debt to acquire the stock or otherwise incurs
bt that would not have been incurred or maintained if the stock
quired.

me tax purposes, a regulated investment company or "mutual
have more than 25% of the value of its total assets, at the close
nvested in the securities of one or more qualified publicly
ips, which will include most MLPs. Shares of our common
curities of a qualified publicly traded partnership and will not
ch for purposes of calculating the limitation imposed upon
ment companies.

lding. We may be required to withhold, for U.S. federal
poses, a portion of all distributions (including redemption
le to stockholders who fail to provide us with their correct
ication number, who fail to make required certifications or
notified by the Internal Revenue Service ("IRS") that they are
p withholding (or if we have been so notified). Certain
ther stockholders specified in the Internal Revenue Code and
hereunder are exempt from backup withholding. Backup
not an additional tax. Any amounts withheld may be credited
kholder's U.S. federal income tax liability provided the
rmation is furnished to the IRS in a timely manner.

Foreign stockholders, including stockholders who are
n individuals, may be subject to U.S. withholding tax on
ions at a rate of 30% or such lower rates as may be prescribed
le treaty. Our distributions also may be subject to state and

Taxation of Debt Securities

Tax Treatment of Holders of Debt Securities. Under present
he opinion that the debt securities will constitute indebtedness
for federal income tax purposes, which the discussion below
tend to treat all payments made with respect to the debt
stent with this characterization.

erest. Payments or accruals of interest on debt securities
e taxable to you as ordinary interest income at the time such
ved (actually or constructively) or accrued, in accordance with
thod of accounting for federal income tax purposes.

and Redemption of Debt Securities. Initially, your tax basis in
acquired generally will be equal to your cost to acquire such
This basis will increase by the amounts, if any, that you
ne under the rules governing market discount, and will
amount of any amortized premium on such debt securities, as
. When you sell or exchange any of your debt securities, or if
t securities are redeemed, you generally will recognize gain or
difference between the amount you realize on the transaction
d and unpaid interest, which will be subject to federal income
the manner described above) and your tax basis in the debt
uished.

ssed below with respect to market discount, the gain or loss
ize on the sale, exchange or redemption of any of your debt
ally will be capital gain or loss. Such gain or loss will
ng-term capital gain or loss if the disposed debt securities were
han one year and will be short-term capital gain or loss if the
ecurities were held for one year or less. Net long-term capital
by a noncorporate U.S. holder generally will be subject to
tax at a lower rate (as of the date of this Statement of
rmation is variable based on the holder's taxable income) than
apital gain or ordinary income (as of the date of this Statement
nformation a maximum rate of 39.6%). For corporate holders,
enerally taxed for federal income tax purposes at the same rate
ome, that is, as of the date of this Statement of Additional
a maximum rate of 35%. A holder's ability to deduct capital
imited.

emium. If you purchase debt securities at a cost greater than
cipal amount, plus accrued interest, you will be considered to
the debt securities at a premium, and you generally may elect
premium as an offset to interest income, using a constant
ver the remaining term of the debt securities. If you make the
rtize the premium, it generally will apply to all debt
you hold at the beginning of the first taxable year to which
lies, as well as any debt instruments that you subsequently
tion, you may not revoke the election without the consent of
elect to amortize the premium, you will be required to reduce
n the debt securities by the amount of the premium amortized
ding period. If you do not elect to amortize premium, the
ium will be included in your tax basis in the debt securities.
u do not elect to amortize the premium and you hold the debt
turity, you generally will be required to treat the premium as a
n the debt securities are redeemed.

t. If you purchase debt securities at a price that reflects a
nt," any principal payments on or any gain that you realize on the
e debt securities generally will be treated as ordinary interest
xtent of the market discount that accrued on the debt securities
you held such debt securities. "Market discount" is defined
al Revenue Code as, in general, the excess of the stated
e at maturity over the purchase price of the debt security,
e market discount is less than 0.25% of the stated redemption
y multiplied by the number of complete years to maturity, the
t is considered to be zero. In addition, you may be required to
tion of all or a portion of any interest paid on any indebtedness
d or continued to purchase or carry the debt securities that
t a market discount. In general, market discount will be treated
bly over the term of the debt securities, or, at your election,
t yield method.

o include market discount in gross income currently as it
er a ratable or constant yield basis), in lieu of treating a
gain realized on a sale of the debt securities as ordinary
elect to include market discount on a current basis, the interest
ral rule described above will not apply and you will increase
e debt security by the amount of market discount you include
. If you do make such an election, it will apply to all market
struments that you acquire on or after the first day of the first
which the election applies. This election may not be revoked
sent of the IRS.

porting and Backup Withholding. In general, information
ements will apply to payments of principal, interest, and
, paid on debt securities and to the proceeds of the sale of debt
o U.S. holders other than certain exempt recipients (such as
ions). Information reporting generally will apply to payments
e debt securities to non-U.S. Holders (as defined below) and
ax, if any, withheld with respect to such payments. Copies of
returns reporting such interest payments and any withholding
de available to the tax authorities in the country in which the
r resides under the provisions of an applicable income tax
on, for non-U.S. Holders, information reporting will apply to
the sale of debt securities within the United States or
gh United States-related financial intermediaries unless the
uirements described below have been complied with and the
ibed below in "Taxation of Non-U.S. Holders" has been received
does not have actual knowledge or reason to know that the
ed States person) or the holder otherwise establishes an

uired to withhold, for U.S. federal income tax purposes, a
yments (including redemption proceeds) payable to holders of
who fail to provide us with their correct taxpayer identification
il to make required certifications or who have been notified by
y are subject to backup withholding (or if we have been so
n corporate and other shareholders specified in the Internal
and the regulations thereunder are exempt from backup
ckup withholding is not an additional tax. Any amounts
e credited against the holder's U.S. federal income tax liability
propriate information is furnished to the IRS. If you are a
r, you may have to comply with certification procedures to
on-U.S. status in order to avoid backup withholding tax
he certification procedures required to claim the exemption
ng tax on interest income described below will satisfy these

n-U.S. Holders. If you are a non-resident alien individual or a
tion (a "non-U.S. Holder"), the payment of interest on the debt
ally will be considered "portfolio interest" and thus generally
from U.S. federal withholding tax. This exemption will apply
that (1) interest paid on the debt securities is not effectively
your conduct of a trade or business in the United States,
a bank whose receipt of interest on the debt securities is
ction 881(c)(3)(A) of the Code, (3) you do not actually or
own 10 percent or more of the combined voting power of all
ompany's stock entitled to vote, (4) you are not a controlled
tion that is related, directly or indirectly, to the Company
wnership, and (5) you satisfy the certification requirements
v.

ertification requirements, either (1) the holder of any debt
certify, under penalties of perjury, that such holder is a
n and must provide such owner's name, address and taxpayer
umber, if any, on IRS Form W-8BEN, or (2) a securities
zation, bank or other financial institution that holds customer
ordinary course of its trade or business and holds the debt
half of the holder thereof must certify, under penalties of
has received a valid and properly executed IRS Form W-8BEN
cial holder and comply with certain other requirements.
ation rules apply for debt securities held by a foreign
other intermediaries.

securities received by a non-U.S. Holder that is not excluded
al withholding tax under the portfolio interest exemption as
e generally will be subject to withholding at a 30% rate, except
terest is effectively connected with the conduct of a U.S. trade
which case the interest will generally be subject to U.S. income
is as applicable to U.S. holders generally or (2) a
r can claim the benefits of an applicable income tax treaty to

nate such withholding tax. To claim the benefit of an income
claim an exemption from withholding because the interest is
nected with a U.S. trade or business, a non-U.S. Holder must
the appropriate, properly executed IRS forms. These forms
l to be periodically updated. Also, a non-U.S. Holder who is
nefits of an income tax treaty may be required to obtain a
dentification number and to provide certain documentary
by foreign governmental authorities to prove residence in the
.

n that a non-U.S. Holder realizes on a sale, exchange or other
ebt securities generally will be exempt from U.S. federal
uding withholding tax. This exemption generally will not
your gain is effectively connected with your conduct of a trade
he U.S. or you are an individual holder and are present in the
d or periods aggregating 183 days or more in the taxable year
on.

siderations

For taxable years beginning after December 31, 2012, a 3.8
generally be imposed on the net investment income of certain
a modified adjusted gross income of over $200,000
e case of joint filers) and on the undistributed net investment
in estates and trusts. For these purposes, “net investment
nerally include interest (including interest on our debt
dends (including dividends paid with respect to our stock),
ties, rent, net gain attributable to the disposition of property
de or business (including net gain from the sale, exchange

disposition of shares of our stock) and certain other income,
ced by any deductions properly allocable to such income or

lding. Beginning with payments made after December 31,
enacted legislation would generally impose a 30% withholding
s and interest paid with respect to our stock and debt securities
oceeds from a disposition of our stock and debt securities paid
inancial institution (as defined in Section 1471(d)(4) of the
e foreign financial institution enters into an agreement with the
epartment to collect and disclose information regarding its
lders (including certain account holders that are foreign
e U.S. owners) and satisfies certain other requirements, and
r non-U.S. entities unless the entity provides the payor with
tion regarding direct and indirect U.S. owners of the entity, or
has no such U.S. owners, and complies with certain other
he Internal Revenue Service recently announced that such
uirements will be implemented pursuant to regulations and
igations will not be imposed on payments made prior to
. You are encouraged to consult with your own tax advisor
ossible implications of this recently enacted legislation on your
ur common stock.

s a general and abbreviated summary of the provisions of the
easury regulations in effect as they directly govern the taxation
and its security holders. These provisions are subject to
lative and administrative action, and any such change may be
curity holders (and prospective holders) are urged to consult
s regarding specific questions as to U.S. federal, foreign, state,
other taxes.

PROXY VOTING POLICIES

viser have adopted proxy voting policies and procedures
), which they believe are reasonably designed to ensure that
d in our best interests and the best interests of our
ubject to the oversight of the Board of Directors, the Board has
nsibility for implementing the Proxy Policy to our Adviser.
unique nature of MLPs in which we primarily invest, our
aluate each proxy on a case-by-case basis. Because proxies of
cted to relate only to extraordinary measures, we do not
prudent to adopt pre-established voting guidelines.

uests for proxies are received with respect to the voting of
s other than MLP equity units, on routine matters, such as
ctors or approval of auditors, the proxies usually will be voted
nt unless our Adviser determines that it has a conflict or our
ines that there are other reasons not to vote with management.
matters, such as amendments to governing instruments,
ng to compensation and stock option and equity compensation

governance proposals and stockholder proposals, our Adviser
stain from voting if deemed appropriate, on a case by case
er that it believes to be in the best economic interest of our
the event requests for proxies are received with respect to
our Adviser will vote on a case by case basis in a manner that
in the best economic interest of our stockholders.

utive Officer is responsible for monitoring our actions and
1) proxies are received and forwarded to the appropriate
s; and (2) proxies are voted in a timely manner upon receipt of
ons. We are not responsible for voting proxies that we do not
l make reasonable efforts to obtain missing proxies. The Chief
er will implement procedures to identify and monitor potential
rest that could affect the proxy voting process, including: (1)
t relationships; (2) other potential material business
nd (3) material personal and family relationships. All decisions
voting will be determined by the Investment Committee of
a manager of our Adviser designated by the Investment
will be executed by the Chief Executive Officer or, if the
oted electronically, electronically voted by the Chief
er or his designee. Every effort will be made to consult with
nager and/or analyst covering the security. We may determine
rticular proxy, if the costs and burdens exceed the benefits of
en securities are subject to loan or to share blocking

proxy presents a conflict of interest between our stockholders,
, and our Adviser, the principal underwriters, or any affiliated
on the other hand, our management may: (1)

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ential conflict to the Board of Directors and obtain consent; or
ethical wall or other informational barrier between the persons
conflict and the persons making the voting decisions

arding how we voted proxies for the twelve-month period
2012, is available without charge by calling us at (866)
may also access this information on the SEC's website at
gov. Our Adviser's website at http://www.tortoiseadvisors.com
to all of our reports filed with the SEC.

NDENT REGISTERED PUBLIC ACCOUNTING FIRM

LLP, 1200 Main Street, Kansas City, Missouri, serves as our
istered public accounting firm. Ernst & Young provides audit
d services, and tax return preparation and assistance and
us in connection with review of our filings with the SEC.

STRATOR, FUND ACCOUNTANT AND CUSTODIAN

und Services, LLC, 615 East Michigan Street, Milwaukee,
02, serves as our fund accountant and administrator and
back-office support such as oversight and supervision of the
enses and preparation of financial statements and related
pay the administrator a monthly fee computed at an annual rate
first $1 billion of our assets, 0.01% on the next $500 million
d 0.005% on the balance of our assets. For the fiscal years
er 30, 2010, November 30, 2011 and November 30, 2012, we
$537,062 and $540,933, respectively, for internal accounting
ion services.

onal Association, 1555 N. River Center Dr., Milwaukee,
2, serves as our custodian. We pay the custodian a monthly
an annual rate of 0.004% of the average daily market value of
portfolio assets, plus portfolio transaction fees.

ADDITIONAL INFORMATION

Statement on Form N-2, including amendments thereto,
ommon stock, preferred stock and debt securities offered
n filed by us with the SEC. The prospectus and this statement
formation do not contain all of the information set forth in the
tement, including any exhibits and schedules thereto. Please
istration Statement for further information with respect to us
of our securities. Statements contained in the prospectus,
plement and this statement of additional information as to the
contract or other document referred to are not necessarily
each instance reference is made to the copy of such contract
ent filed as an exhibit to a Registration Statement, each such
qualified in all respects by such reference. Copies of the

tement may be inspected without charge at the SEC's principal
ngton, D.C., and copies of all or any part thereof may be
he SEC upon the payment of certain fees prescribed by the

FINANCIAL STATEMENTS

al Report, which contains our audited financial statements as
), 2012 and for the year then ended, notes thereto, and other
out us is incorporated by reference into, and shall accompany,
of Additional Information.

al Report includes supplemental financial information which
d ratios as a percentage of our total investment portfolio and a
ur distributable cash flow ("DCF") and related information. You
ree copy of our annual, semi-annual and quarterly reports, or
uests for information about us, by calling toll-free
, or by writing to us at 11550 Ash Street, Suite 300, Leawood,
These documents are also available on the SEC's EDGAR
be inspected and copied for a fee at the SEC's public reference
eet, N.E., Room 1580, Washington, D.C.

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rmation about the operation of the public reference room
e obtained by calling the SEC at (202) 551-5850.

APPENDIX A — RATING OF INVESTMENTS

MOODY'S INVESTORS SERVICE, INC.

erm obligation ratings are opinions of the relative credit risk of
tions with an original maturity of one year or more. They
sibility that a financial obligation will not be honored as
ratings reflect both the likelihood of default and any financial
the event of default.

ons rated Aaa are judged to be of the highest quality, with
isk.

ns rated Aa are judged to be of high quality and are subject to
risk.

s rated A are considered upper-medium grade and are subject to

ons rated Baa are subject to moderate credit risk. They are
ium-grade and as such may possess certain speculative

ns rated Ba are judged to have speculative elements and are
antial credit risk.

s rated B are considered speculative and are subject to high credit

ons rated Caa are judged to be of poor standing and are subject to
risk.

ns rated Ca are highly speculative and are likely in, or very near,
me prospect of recovery of principal and interest.

s rated C are the lowest rated class and are typically in default,
ect for recovery of principal and interest.

appends numerical modifiers 1, 2, and 3 to each generic rating
om Aa through Caa. The modifier 1 indicates that the
s in the higher end of its generic rating category; the modifier 2
range ranking; and the modifier 3 indicates a ranking in the
at generic rating category.

FITCH RATINGS

ion of the applicable Fitch Ratings ("Fitch") ratings symbols and
ublished by Fitch) follows:

credit quality.
enote the lowest expectation of default risk. They are assigned
exceptionally strong capacity for payment of financial
This capacity is highly unlikely to be adversely affected by
nts.

credit quality.
note expectations of very low default risk. They indicate very
for payment of financial commitments. This capacity is not
lnerable to foreseeable events.

quality.
te expectations of low default risk. The capacity for payment
mitments is considered strong. This capacity may,
more vulnerable to adverse business or economic conditions
for higher ratings.

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dit quality.
dicate that expectations of default risk are currently low. The
ment of financial commitments is considered adequate but
s or economic conditions are more likely to impair this

e.
icate an elevated vulnerability to default risk, particularly in
erse changes in business or economic conditions over time;
ess or financial flexibility exists which supports the servicing
mitments.

ulative.
ate that material default risk is present, but a limited margin of
Financial commitments are currently being met; however,
tinued payment is vulnerable to deterioration in the business
nvironment.

al credit risk.
possibility.

evels of credit risk.
kind appears probable.

y high levels of credit risk
nent or inevitable, or the issuer is in standstill. Conditions that
f a 'C' category rating for an issuer include:
entered into a grace or cure period following non-payment of
ancial obligation;
as entered into a temporary negotiated waiver or standstill
llowing a payment default on a material financial obligation;

otherwise believes a condition of 'RD' or 'D' to be imminent or
cluding through the formal announcement of a distressed debt

default.
icate an issuer that in Fitch Ratings' opinion has experienced
ment default on a bond, loan or other material financial
which has not entered into bankruptcy filings, administration,
quidation or other formal winding-up procedure, and which has
eased operating. This would include:
payment default on a specific class or currency of debt;
expiry of any applicable grace period, cure period or default
iod following a payment
bank loan, capital markets security or other material financial

n of multiple waivers or forbearance periods upon a payment
or more material

either in series or in parallel; or
a distressed debt exchange on one or more material financial

ate an issuer that in Fitch Ratings' opinion has entered into
gs, administration,
quidation or other formal winding-up procedure, or which has
d business.

STANDARD & POOR’S CORPORATION

ion of the applicable Standard & Poor’s Corporation, a division
-Hill Companies (“Standard & Poor’s” or “S&P”), rating symbols
ngs (as published by S&P) follows:

oor’s issue credit rating is a current opinion of the
s of an obligor with respect to a specific financial obligation, a
financial obligations, or a specific financial program

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gs on medium term note programs and commercial paper
kes into consideration the creditworthiness of guarantors,
er forms of credit enhancement on the obligation. The issue
not a recommendation to purchase, sell, or hold a financial
much as it does not comment as to market price or suitability
investor.

ngs are based on current information furnished by the obligors
Standard & Poor's from other sources it considers reliable.
r's does not perform an audit in connection with any credit
on occasion, rely on unaudited financial information. Credit
changed, suspended, or withdrawn as a result of changes in, or
f, such information, or based on other circumstances.

ngs can be either long-term or short-term. Short-term ratings
signed to those obligations considered short-term in the
. In the U.S., for example, that means obligations with an
y of no more than 365 days — including commercial paper.

gs are also used to indicate the creditworthiness of an obligor
put features on long-term obligations. The result is a dual
the short-term ratings address the put feature, in addition to
erm rating. Medium-term notes are assigned long-term ratings.

e Credit Ratings

ngs are based in varying degrees, on the following

ood of payment — capacity and willingness of the obligor to
al commitment on an obligation in accordance with the terms
n;

of and provisions of the obligation; and

ion afforded by, and relative position of, the obligation in the
ptcy, reorganization, or other arrangement under the laws of
other laws affecting creditors' rights. The issue ratings
n assessment of default risk, but may incorporate an
elative seniority or ultimate recovery in the event of default.
ertain to senior obligations of an entity. Junior obligations are
ower than senior obligations, to reflect the lower priority in
noted above.

obligation rated 'AAA' has the highest rating assigned by Standard &
igor's capacity to meet its financial commitment on the
tremely strong.

ligation rated 'AA' differs from the highest-rated obligations only in
he obligor's capacity to meet its financial commitment on the
ry strong.

gation rated 'A' is somewhat more susceptible to the adverse effects
rcumstances and economic conditions than obligations in
egories. However, the obligor's capacity to meet its financial
the obligation is still strong.

bligation rated 'BBB' exhibits adequate protection parameters.
se economic conditions or changing circumstances are more
a weakened capacity of the obligor to meet its financial
the obligation.

C, AND C — Obligations rated 'BB', 'B', 'CCC', 'CC', and 'C' are
ing significant speculative characteristics. 'BB' indicates the
speculation and 'C' the highest. While such obligations will
e quality and protective characteristics, these may be
arge uncertainties or major exposures to adverse conditions.

ligation rated 'BB' is less vulnerable in the near-term to nonpayment
ulative issues. However, it faces major ongoing uncertainties
dverse business, financial, or economic conditions, which
e obligor's inadequate capacity to meet its financial
the obligation.

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gation rated 'B' is more vulnerable to nonpayment than obligations
the obligor currently has the capacity to meet its financial
the obligation. Adverse business, financial, or economic
likely impair the obligor's capacity or willingness to meet its
itment on the obligation.

bligation rated 'CCC' is currently vulnerable to nonpayment and is
favorable business, financial, and economic conditions for the
its financial commitment on the obligation. In the event of
s, financial, or economic conditions, the obligor is not likely
acity to meet its financial commitment on the obligation.

ligation rated 'CC' is currently highly vulnerable to nonpayment.

rating is assigned to obligations that are currently highly vulnerable
obligations that have payment arreages allowed by the terms
ts, or obligations of an issuer that is the subject of a
tion or similar action which have not experienced a payment

gation rated 'D' is in payment default. The 'D' rating category is used
on an obligation are not made on the date due even if the
e period has not expired, unless Standard & Poor's believes that
will be made during such grace period. The 'D' rating also will
e filing of a bankruptcy petition or the taking of a similar
nts on an obligation are jeopardized.

-) or minus (-). The ratings from 'AA' to 'CCC' may be modified by
a plus or minus sign to show relative standing within the major
s.

ed.

s of issuers outside the United States and its territories are
ne basis as domestic corporate and municipal issues. The
the creditworthiness of the obligor but do not take into
y exchange and related uncertainties.

nt Quality Standards

ommercial bank regulations issued by the Comptroller of the
s rated in the top four categories ('AAA', 'AA', 'A', 'BBB',
wn as investment-grade ratings) generally are regarded as
k investment.

of various states governing legal investments impose certain
tandards for obligations eligible for investment by savings
npanies, insurance companies, and fiduciaries in general.

Tortoise MLP Fund, Inc.

ATEMENT OF ADDITIONAL INFORMATION

_________, 2013

Part C — Other Information

cial Statements and Exhibits

Statements:

s audited financial statements dated November 30, 2012, notes
statements and report of independent public accountants
orporated by reference into Part B: Statement of Additional

Description of Document

Articles of Amendment and Restatement1

Articles Supplementary relating to Mandatory
Redeemable Preferred shares3

Amended and Restated Bylaws6

Inapplicable

Form of Stock Certificate1

Form of Preferred Stock Certificate3

Form of Fixed Rate Note3

Form of Floating Rate Note3

Dividend Reinvestment Plan1

Inapplicable

Investment Advisory Agreement with Tortoise Capital
Advisors, L.L.C. dated June 18, 20103

Investment Advisory Agreement with Tortoise Capital
Advisors, L.L.C. dated July 27, 20102

Fee Waiver Agreement with Tortoise Capital Advisors,
L.L.C. dated July 27, 20125

Form of Underwriting Agreement**

Controlled Equity Offering Sales Agreement4

Inapplicable

Form of Custody Agreement1

Form of Transfer Agency and Service Agreement1

Form of Administration Servicing Agreement1

Form of Fund Accounting Services Agreement1

Credit Agreement dated September 24, 20103

Amendment No. 1 to Credit Agreement dated
September 24, 20103

Amendment No. 2 to Credit Agreement dated
September 24, 20103

Amendment No. 3 to Credit Agreement dated September
24, 20104

Amendment No. 4 to Credit Agreement dated September
24, 20104

Master Note Purchase Agreement dated October 7,
20103

Securities Purchase Agreement dated October 7, 20103

Note Purchase Agreement dated May 12, 20113

Opinion of Venable LLP4

Inapplicable

Consent of Independent Registered Public Accounting Firm6

Inapplicable

Subscription Agreement dated May 3, 20101

Inapplicable

Code of Ethics of the Registrant1

Code of Ethics of the Tortoise Capital Advisors, L.L.C.1

Power of Attorney1

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by reference to Pre-Effective Amendment No. 4 to the
Registration Statement on Form N-2, filed June 28, 2010 (File
6278 and 811-22409).
by reference to Amendment No. 9 to the
Registration Statement on Form N-2, filed July 28,
os. 333-166278 and 811-22409).
by reference to Registrant's Registration
Form N-2, filed August 3, 2011 (File Nos.
and 811-22409).
by reference to Post-Effective Amendment No. 1
's Registration Statement on Form N-2, filed July
le Nos. 333-176010 and 811-22409).
by referenced to Post-Effective Amendment No.
nt's Registration Statement on Form N-2, filed
2012 (File Nos. 333-176010 and 811-22409)
by reference to Post-Effective Amendment No. 3
's Registration Statement on Form N-2 filed on
2013 (File Nos. 333-176010 and 811-22409)

eting Arrangements

contained under the heading "Plan of Distribution" in the
corporated herein by reference, and information concerning
or placement agent will be contained in the accompanying
plement.

Expenses and Distribution

able sets forth the estimated expenses to be incurred in
. all potential offerings described in this Registration

Exchange Commission fees	$ 47,740
and expenses	$ 6,500
s and expenses	$ 203,000
expenses	$ 115,000
es	$ 108,000
es	$ 80,000
fees	$ 35,000
	$ 10,000
	$ 25,000
	$ 630,240*

es will be borne by the Fund unless otherwise specified in a
plement.

ns Controlled by or Under Common Control

er of Holders of Securities

28, 2013, the number of record holders of each class of
Registrant was:

	Number of Record Holders
($0.001 par value)	7
(Liquidation Preference $25.00 per	3
55,000,000 aggregate principal	22

nification

ermits a Maryland corporation to include in its charter a
ng the liability of its directors and officers to the corporation
ders for money damages except for liability resulting from
ot of an improper benefit or profit in money, property or
ctive and deliberate dishonesty which is established by a final
ng material to the cause of action. The Charter contains such a
n eliminates directors' and officers' liability to the maximum
d by Maryland law and the 1940 Act.

horizes the Registrant, to the maximum extent permitted by
nd the 1940 Act, to obligate itself to indemnify any present or
or officer or any individual who, while a director or officer of
nd at the request of the Registrant, serves or has served
tion, real estate investment trust, partnership, joint venture,
benefit plan, limited liability company or other enterprise as a
, partner, member manager or trustee, from and against any
y to which that person may become subject or which that
ur by reason of his or her service in any such capacity and to
e his or her reasonable expenses in advance of final
proceeding. The Bylaws obligate the Registrant, to the
nt permitted by Maryland law and the 1940 Act, to indemnify
ormer director or officer or any individual who, while a
Registrant and at the request of the Registrant, serves or has
corporation, real estate investment trust, partnership, joint
mployee benefit plan, limited liability company or other
director, officer, partner, member manager or trustee and who
atened to be made, a party to the proceeding by reason of his
n any such capacity from and against any claim or liability to

on may become subject or which that person may incur by
her services in such capacity and to pay or reimburse his or
xpenses in advance of final disposition of a proceeding. The
aws also permit the Registrant to indemnify and advance
person who served a predecessor of the Registrant in any of
escribed above and any employee or agent of the Registrant or
f the Registrant.

equires a corporation (unless its charter provides otherwise,
strant's Charter does not) to indemnify a director or officer who
sful in the defense of any proceeding to which he or she is
ened to be made, a party by reason of his or her service in that
and law permits a corporation to indemnify its present and
s and officers, among others, against judgments, penalties,
ts and reasonable expenses actually incurred by them in
any proceeding to which they are made, or threatened to be
y reason of their service in those or other capacities unless it is
(a) the act or omission of the director or officer was material
ving rise to the proceeding and (1) was committed in bad faith
esult of active and deliberate dishonesty, (b) the director or
received an improper personal benefit in money, property or
n the case of any criminal proceeding, the director or officer
cause to believe that the act or omission was unlawful.
r Maryland law, a Maryland corporation may not indemnify
udgment in a suit by or in the right of the corporation or for a
bility on the basis that personal benefit was improperly
in either case a court orders indemnification and then only for
dition, Maryland law permits a corporation to advance
nses to a director or officer upon the corporation's receipt of
irmation by the director or officer of his or her good faith
she has met the standard of conduct necessary for
by the corporation and (b) a written undertaking by him or
half to repay the amount paid or reimbursed by the corporation
y determined that the standard of conduct was not met.

ess and Other Connections of Investment Advisor

n in the Statement of Additional Information under the caption
f the Company — Directors and Officers" and the information in
under the caption "Management of the Company — Investment
eby incorporated by reference.

on of Accounts and Records

s accounts, books, and other documents are maintained at the
egistrant, at the offices of the Registrant's investment adviser,
l Advisors, L.L.C., 11550 Ash Street, Suite 300, Leawood,
at the offices of the custodian, U.S. Bank National
55 North River Center Drive, Milwaukee, WI 53212, at the
ansfer agent, Computershare Trust Company, N.A., P.O. Box
nce, Rhode Island 02940-3078, or at the offices of the
U.S. Bancorp Fund Services, LLC, 615 East Michigan Street,
53202.

gement Services

takings

trant undertakes to suspend the offering of the common shares
ctus is amended if (1) subsequent to the effective date of its
ement, the net asset value declines more than ten percent from
ue as of the effective date of the registration statement or
value increases to an amount greater than its net proceeds as
pectus.

cable.

urities not taken in a rights offering by stockholders are to be
public, an undertaking to supplement the prospectus, after the
e subscription period, to set forth the results of the subscription
ctions by underwriters during the subscription period, the
bscribed securities to be purchased by underwriters, and the
bsequent reoffering thereof. If any public offering by the
the securities being registered is to be made on terms differing
orth on the cover page of the prospectus, we will file a
mendment to set forth the terms of such offering.

ring any period in which offers or sales are being made, a
mendment to this registration statement:

lude any prospectus required by Section 10(a)(3) of the 1933

ect in the prospectus any facts or events arising after the
e of the registration statement (or the most recent
e amendment thereof) which, individually or in the aggregate,
undamental change in the information set forth in the
tatement; and

lude any material information with respect to the plan of
not previously disclosed in the registration statement or any
nge to such information in the registration statement.

e purpose of determining any liability under the 1933 Act,
effective amendment shall be deemed to be a new registration
ng to the securities offered therein, and the offering of those
t time shall be deemed to be the initial bona fide offering

from registration by means of a post-effective amendment any
being registered which remain unsold at the termination of

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purpose of determining liability under the 1933 Act to any
e Registrant is subject to Rule 430C: each prospectus filed
e 497(b), (c), (d) or (e) under the 1933 Act as part of this
ement relating to an offering, other than prospectuses filed in
e 430A under the 1933 Act, shall be deemed to be part of and
registration statement as of the date it is first used after
rovided, however, that no statement made in this registration
ospectus that is part of this registration statement or made in a
porated or deemed incorporated by reference into this
rospectus that is part of this registration statement will, as to a
a time of contract of sale prior to such first use, supersede or
ement that was made in this registration statement or
was part of this registration statement or made in any such
ediately prior to such date of first use.

urpose of determining liability of the Registrant under the
purchaser in the initial distribution of securities:

gned Registrant undertakes that in a primary offering of
undersigned Registrant pursuant to this registration statement,
e underwriting method used to sell the securities to the
e securities are offered or sold to such purchaser by means of
wing communications, the undersigned Registrant will be a
chaser and will be considered to offer or sell such securities to

reliminary prospectus or prospectus of the
Registrant relating to the offering required to be
nt to Rule 497 under the 1933 Act;

rtion of any advertisement pursuant to Rule 482
33 Act relating to the offering containing material
about the undersigned Registrant or its securities
or on behalf of the undersigned Registrant; and

her communication that is an offer in the offering
undersigned Registrant to the purchaser.

-effective amendment containing a prospectus pursuant to
the 1933 Act prior to any offering by the Registrant pursuant
of rights to subscribe for shares below net asset value;

-effective amendment containing a prospectus pursuant to
the 1933 Act prior to any offering below net asset value if the
ct of such offering (as calculated in the manner set forth in the
ontained in the prospectus), together with the net dilutive effect
erings made pursuant to this post-effective amendment (as
e manner set forth in the dilution table contained in the
ceeds fifteen percent (15%);

t-effective amendment to the registration statement, and to
fers or sales pursuant the registration statement until such
mendment has been declared effective under the 1933 Act, in
ares of Registrant are trading below its net asset value and
rant receives, or has been advised by its independent
unting firm that it will receive, an audit report reflecting
ot regarding the Registrant's ability to continue as a going
Registrant has concluded that a material adverse change has
inancial position or results of operations that has caused the
ents and other disclosures on the basis of which the offering
to be materially misleading.

trant is filing this Registration Statement pursuant to Rule
1933 Act and undertakes that: (a) for the purposes of
liability under the 1933 Act, the information omitted from
spectus filed as part of a registration statement in reliance upon
contained in the form of Prospectus filed by the Registrant
(h) under the 1933 Act shall be deemed to be part of the
tement as of the time it was declared effective; (b) for the
rmining any liability under the 1933 Act, each post-effective
contains a form of Prospectus shall be deemed to be a new
ement relating to the securities offered therein, and the
ecurities at that time shall be deemed to be the initial bona
ereof.

trant undertakes to send by first class mail or other means
ure equally prompt delivery, within two business days of
l or written request, its Statement of Additional Information.

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ssuance of securities pursuant to this Registration Statement,
ndertakes to file a form of prospectus and/or form of
plement pursuant to Rule 497 and a post-effective amendment
quired by the 1933 Act and the rules and regulations
uding, but not limited to a post-effective amendment pursuant
or Rule 462(d) under the 1933 Act.

SIGNATURES

requirements of the Securities Act of 1933, and the Investment
f 1940, the Registrant has duly caused this registration
signed on its behalf by the undersigned, thereunto duly
his City of Leawood and State of Kansas on the 29th day of

Tortoise MLP
Fund, Inc.

By: /s/ Terry C.
Matlack
Terry C.
Matlack
Chief Executive
Officer

requirements of the Securities Act of 1933 this registration
een signed by the following persons in the capacities and on
ed.

	Title	Date
Adams lams	Chief Financial Officer (Principal Financial and Accounting Officer)	March 29, 2013
atlack lack	Chief Executive Officer (Principal Executive Officer)	March 29, 2013
S. * otello	Director	March 29, 2013
ham* am	Director	March 29, 2013
Heath*	Director	

		March 29, 2013
eath		
rzer*	Director	March 29, 2013
zer		

Adams pursuant to Power of Attorney filed with the
egistration Statement on Form N-2 on August 3, 2011 (file
010 and 811-22409).

EXHIBIT INDEX