

Avenue Income Credit Strategies Fund
Form N-2
March 08, 2013

As filed with the Securities and Exchange Commission on March 8, 2013

Securities Act File No. 333-[•]

Investment Company Act File No. 811-22485

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-2

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933 x

Pre-Effective Amendment No. 0

Post Effective Amendment No. 0

and/or

REGISTRATION STATEMENT UNDER
THE INVESTMENT COMPANY ACT OF 1940 x

Amendment No. 7

Avenue Income Credit Strategies Fund

(Exact Name of Registrant as Specified in Charter)

399 Park Avenue, 6th Floor

New York, NY 10022

(Address of Principal Executive Offices)

(212) 878-3500

(Registrant's Telephone Number, Including Area Code)

Sonia E. Gardner

Avenue Capital Group

399 Park Avenue, 6th Floor

New York, NY 10022

(212) 878-3500

(Name and Address of Agent for Service)

Copies to:

Stuart M. Strauss

Dechert LLP

1095 Avenue of the Americas

New York, New York 10036

Approximate Date of Proposed Public Offering: **As soon as practicable after the effective date of this registration statement.**

If any of the securities being registered on this form will be offered on a delayed or continuous basis in reliance on Rule 415 under the Securities Act of 1933 (the Securities Act), other than securities offered in connection with a dividend reinvestment plan, check the following box.

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If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act, please check the following box.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price per Unit	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(1)
Common Shares, \$0.001 par value		\$	\$ 1,000,000	\$ 136.40
Rights to Purchase Common Shares	(2)			

(1) Estimated solely for the purpose of calculating the registration fee.

(2) No separate consideration will be received by the registrant.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. The Fund may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus dated March 8, 2013

Avenue Income Credit Strategies Fund

[•] Common Shares

Issuable Upon Exercise of Transferable Rights to Subscribe for Common Shares

Avenue Income Credit Strategies Fund (the **Fund**) is issuing transferable rights (**Rights**) to its shareholders of record as of the close of business on [], 2013 (the **Record Date**) entitling the holders of these Rights to subscribe (the **Offer**) for an aggregate of [] common shares of beneficial interest, par value \$0.001 per common share (the **Common Shares**). The holders of Common Shares (the **Common Shareholders**) of record will receive one Right for each outstanding Common Share owned on the Record Date. The Rights entitle the holders to purchase one new Common Share for every [] Rights held (1 for []), and Common Shareholders of record who fully exercise their Rights will be entitled to subscribe, subject to certain limitations and subject to allotment, for additional Common Shares covered by any unexercised Rights. Any Record Date Common Shareholder issued fewer than [] Rights is entitled to subscribe for one full Common Share in the Offer. The Fund's outstanding Common Shares are listed and the Common Shares issued pursuant to the exercise of the rights will be listed on the New York Stock Exchange (**NYSE**). The Fund's Common Shares trade under the symbol **ACP**. The Rights are transferable and will be listed for trading on the NYSE under the symbol [[]] during the course of the Offer. See **The Offer** for a complete discussion of the terms of the Offer. **The subscription price per Common Share (the **Subscription Price**) will be determined based upon a formula equal to []% of the average of the last reported sales price of a Common Share on the NYSE on the date on which the Offer expires, as such date may be extended from time to time (the **Expiration Date**) and each of the four (4) preceding trading days (the **Formula Price**). If, however, the Formula Price is less than []% of the net asset value per Common Share (**NAV**) of the Fund's Common Shares at the close of trading on the NYSE on the Expiration Date, then the Subscription Price will be []% of the Fund's NAV at the close of trading on the NYSE on that day. The Fund will pay a sales load on the Subscription Price.**

The Offer will expire at 5:00 p.m., New York City time, on [], 2013, unless extended as described in this prospectus.

The net asset value (**NAV**) of the Fund's Common Shares at the close of business on [], 2013 (the date of this prospectus) was \$[] and the last reported sale price of a Common Share on the NYSE on that date was \$[].

Investment Objectives and Principal Investment Strategy; Leverage. The Fund is a non-diversified, closed-end management investment company whose primary investment objective is to seek a high level of current income with a secondary objective of capital appreciation.

(continued on next page)

Investing in Rights and/or in the Common Shares involves risks, including the risk that you may receive little or no return on your investment or that you may lose part or all of your investment. Before buying any Common Shares, you should read the discussion of the principal risks of investing in the Fund, including that the Fund may invest all or a substantial portion of its assets in below investment grade securities which are often referred to as high yield or junk securities. The principal risks of investing in the Fund are summarized in Prospectus summary Risk Factors beginning on page [] of this prospectus and further described in Risk factors beginning on page [] of this prospectus.

Upon completion of the Offer, Common Shareholders who do not fully exercise their Rights will own a smaller proportional interest in the Fund than they owned prior to the Offer. The completion of the Offer will result in immediate voting dilution for such Common Shareholders. In addition, if the Subscription Price is less than the NAV as of the Expiration Date, the completion of the Offer will result in an immediate dilution of NAV for all Common Shareholders (i.e., will cause the NAV of the Fund to decrease) and may have the effect of reducing the market price of the Fund's Common Shares. It is anticipated that the existing Common Shareholders will experience immediate dilution even if they fully exercise their Rights. Such dilution is not currently determinable because it is not known how many Common Shares will be subscribed for, what the NAV or market price of our Common Shares will be on the Expiration Date or what the subscription price per Common Share will be. However, assuming full exercise of the Rights being offered at the Subscription Price and assuming that the Expiration Date was [], 2013 it is estimated that the per share dilution resulting from the Offer would be \$[]. Any such dilution will disproportionately affect nonexercising Common Shareholders. If the Subscription Price is substantially less than the current NAV, this dilution could be substantial. The distribution to Common Shareholders of transferable Rights, which themselves have intrinsic value, will afford non-participating Common Shareholders of record on the Record Date the potential of receiving cash payment upon the sale of the Rights, receipt of which may be viewed as partial compensation for any dilution of their interests that may occur as a result of the Offer. There can be no assurance that a market for the Rights will develop or, if such a market develops, what the price of the rights will be. See The Offer Dilution and Effect of Non-Participation in the Offer. Except as described herein, Rights holders will have no right to rescind their subscriptions after receipt of their payment for Common Shares by the subscription agent for the Offer.

Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Common Share		Total(5)	
Estimated subscription price(1)	\$	[]	\$	[]
Sales load(2)	\$	[]	\$	[]
Proceeds, before expenses, to the Fund(3)(4)	\$	[]	\$	[]

(footnotes on next page)

[]

(continued from previous page)

(1) Estimated on the basis of [] % of the average of the last reported sales price per Common Share at the close of trading on the NYSE on [] and each of the four (4) preceding trading days]. See The Offer Subscription Price.

(2) In connection with the Offer, [], the dealer manager for the Offer (the Dealer Manager), will receive a fee from the Fund for its financial structuring and solicitation services equal to []% of the Subscription Price for each Common Share issued pursuant to the Offer, which is estimated to be \$[] in total and \$[] per Common Share (assuming the Rights are fully exercised at the estimated subscription price). The Dealer Manager will reallow a part of its fees to other broker-dealers that have assisted in soliciting the exercise of Rights. The Fund has also agreed to pay the Dealer Manager up to \$[] (up to \$[] per Common Share (assuming the Rights are fully exercised)) as reimbursement for its expenses incurred in connection with the Offer. The Fund will also pay expenses relating to the printing or other production, mailing and delivery expenses incurred in connection with materials related to the Offer, including all reasonable out-of-pocket fees and expenses, if any and not to exceed \$[], incurred by the Dealer Manager, Selling Group Members (as defined below), Soliciting Dealers (as defined below) and other brokers, dealers and financial institutions in connection with their customary mailing and handling of materials related to the Offer to their customers. [The Fund and the Adviser have also agreed to indemnify the Dealer Manager against certain liabilities under the Securities Act.

(3) Before deduction of expenses associated with the Offer incurred by the Fund, estimated at \$[], including an aggregate of up to \$[] to be paid to the Dealer Manager as reimbursement for its expenses and up to \$[] of expenses paid by the Fund relating to the printing or other production, mailing and delivery expenses incurred in connection with materials related to the Offer by the Dealer Manager, Selling Group Members, Soliciting Dealers and other brokers, dealers and financial institutions in connection with their customary mailing and handling of materials related to the Offer to their customers. After deduction of such expenses, the per share and total dollar amount of proceeds to the Fund are estimated at \$[] and \$[], respectively. Both the sales load and the expenses associated with the Offer paid by the Fund will immediately reduce the NAV of each outstanding Common Share.

(4) [Funds received by check or money order prior to the final due date of the Offer will be deposited into a segregated account pending proration and distribution of Common Shares. The Subscription Agent may receive investment earnings on the funds deposited into such account.]

(5) Assumes all Rights are exercised at the estimated Subscription Price. All of the Rights offered may not be exercised.

The Fund announced the terms of this Offer after the close of trading on the NYSE on [].

Depending on current market conditions and the Fund's outlook over time, the Fund seeks to achieve its investment objectives by opportunistically investing primarily in loan and debt instruments (and loan-related or debt-related instruments, including repurchase and reverse repurchase agreements and derivative instruments) of issuers that operate in a variety of industries and geographic regions. The Fund expects to emphasize high current income, with a secondary emphasis on capital appreciation, by investing generally in senior secured floating rate and fixed rate loans (Senior Loans) and in second lien or other subordinated loans or debt instruments, including non-stressed and stressed credit obligations, and related derivatives. The Fund is permitted to obtain leverage using any form or combination of financial leverage instruments, including reverse repurchase agreements, credit facilities such as bank loans or commercial paper, and the issuance of preferred shares or notes. Following the completion of the Offer, and subject to prevailing market conditions, the Fund intends to have financial leverage representing up to approximately [] % of the Fund's total assets (including the assets subject to, and obtained with the proceeds of, such leverage). See Investment objectives and principal investment strategy and Leverage below and Investment restrictions in the Statement of Additional Information.

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This prospectus sets forth concisely information about the Fund you should know before investing. Please read this prospectus carefully before deciding whether to invest and retain it for future reference. A Statement of Additional Information dated [], 2013 (the SAI) has been filed with the SEC. A table of contents to the SAI is located on page [] of this prospectus. This prospectus incorporates by reference the entire SAI. The SAI is available along with other Fund-related materials at the SEC's public reference room in Washington, DC (call 1-202-551-8090 for information on the operation of the reference room), on the EDGAR database on the SEC's internet site (<http://www.sec.gov>), upon payment of copying fees by writing to the SEC's Public Reference Section, 100 F Street, N.E. Washington, DC 20549-0102, or by electronic mail at publicinfo@sec.gov.

You may also request a free copy of the SAI, annual and semi-annual reports to shareholders, and additional information about the Fund, and may make other shareholder inquiries, by calling 1-877-525-7330, by writing to the Fund or visiting the Fund's website (<http://www.avenuecapital.com>).

The Fund's Common Shares do not represent a deposit or obligation of, and are not guaranteed by or endorsed by, any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

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You should rely only on the information contained or incorporated by reference in this prospectus. The Fund has not, and the Dealer Manager has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The Fund is not, and the Dealer Manager is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.

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Prospectus summary

The following summary is qualified in its entirety by reference to the more detailed information appearing elsewhere in this prospectus. This prospectus summary may not contain all of the information that is important to each Common Shareholder. Accordingly, to understand the Offer fully, Common Shareholders are encouraged to read the entire prospectus carefully. Unless otherwise indicated, the information in this prospectus assumes that the Rights issued are all exercised. As used in this prospectus, the terms the Fund, our, and us refer to the Avenue Income Credit Strategies Fund, a non-diversified, closed-end management investment company organized as a statutory trust under the laws of the State of Delaware and the issuer of the Rights, unless the context suggests otherwise.

THE OFFER AT A GLANCE

Purpose of the Offer

The board of trustees of the Fund (the Board), based on the recommendations and presentations of Avenue Capital Management II, L.P., the Fund's investment adviser (the Adviser), and others, has determined that it is in the best interests of the Fund and its Common Shareholders to increase the assets of the Fund available for investment and thereby to conduct the Offer. In making this determination, the Board considered a number of factors, including potential benefits and costs. In particular, the Board considered the Adviser's belief that the Offer would better enable the Fund to take advantage more fully of existing and future investment opportunities that may be or may become available, consistent with the Fund's primary investment objective to seek a high level of current income with a secondary objective of capital appreciation.

In making its determination that the Offer is in the best interests of the Fund and its Common Shareholders, the Board considered (in addition to the Adviser's belief as to the potential investment opportunity) various factors, including [(i) the size, pricing and structure of the Offer, (ii) that the Offer, if it is well-subscribed, could increase the liquidity of the Common Shares on the NYSE, where the Fund's Common Shares are traded; (iii) the opportunity the Offer represents for current shareholders to buy shares at a discount to net asset value or market price, or, in many cases, both; (iv) the costs of the Offer, including dilution of Common Shareholders' interests through the Offer and fees paid to the Dealer Manager; and (v) the possible negative effect on the market price of Common Shares the Offer may have.] There can be no assurance that the Offer (or the investment of the proceeds of the Offer) will be successful or that the level of trading of our Common Shares on the NYSE will increase. For a discussion of the potential impact of the Offer on current Common Shareholders, such as dilution, see Risk factors.

[In this regard, the Adviser believes that a variety of factors indicate that there may continue to be a robust opportunity to invest in U.S. and European high yield and leveraged loan instruments. Due to a combination of macroeconomic developments in the United States and Europe and the Adviser's credit analysis of companies in those underlying geographies, the Adviser believes that now may be an opportune time for the Fund to raise additional assets and to seek attractive investment opportunities which may enhance the Fund's prospective risk-adjusted returns. In addition, the Adviser expects that a number of upcoming U.S. high yield bond and institutional maturities in a less than favorable capital markets environment may create investment opportunities for the Fund. Further, the Adviser expects that the European sovereign debt crisis and potential European bank deleveraging may force these institutions to sell assets and enable the Fund to take advantage of such opportunities. Using the proceeds of the Offer, the Fund will seek to capitalize on these developments and enhance its returns by making investments in companies the Adviser believes offer attractive opportunities for yield enhancement and/or net asset value appreciation potential. In making such investments, the Fund will seek to capitalize on market inefficiencies and to reallocate the portfolio of the Fund to opportunistically emphasize those investments, geographies and categories of investments believed to be best suited to the current investment and interest rate environment and market outlook.]

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The Offer seeks to provide an opportunity to existing Common Shareholders to purchase Common Shares at a discount to market price. The distribution to Common Shareholders of transferable Rights, which may themselves have intrinsic value, also will afford non-participating Common Shareholders of record on the Record Date, the potential of receiving cash payment upon the sale of the Rights, receipt of which may be viewed as partial compensation for any dilution of their interests that may occur as a result of the Offer. There can be no assurance that a market for the Rights will develop or, if such a market does develop, what the price of the Rights will be.

The Adviser expects that the Offer will provide an opportunity to increase the assets of the Fund available for investment, thereby better enabling the Fund to take advantage more fully of existing and future investment opportunities that may be or may become available, consistent with the Fund's primary investment objective to seek a high level of current income

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with a secondary objective of capital appreciation. The Adviser has an inherent conflict of interest in recommending the Offer because the Fund pays fees to the Adviser based on a percentage of the Fund's Managed Assets (the greater the Managed Assets of the Fund, the greater the compensation paid to the Adviser). Managed Assets are the total assets of the Fund (including any assets attributable to money borrowed for investment purposes, including proceeds from (and assets subject to) reverse repurchase agreements, any credit facility and any issuance of preferred shares or notes) minus the sum of the Fund's accrued liabilities (other than Fund liabilities incurred for the purpose of leverage).

There can be no assurance that the Offer (or the investment of the proceeds of the Offer) will be successful. See The Offer Purpose of the Offer.

Upon completion of the Offer, Common Shareholders who do not fully exercise their Rights will own a smaller proportional interest in the Fund than they owned prior to the Offer. The completion of the Offer will result in immediate voting dilution for such Common Shareholders. Further, both the sales load and the expenses associated with the Offer paid by the Fund will immediately reduce the net asset value of each outstanding Common Share. In addition, if the Subscription Price is less than the NAV as of the Expiration Date, the completion of the Offer will result in an immediate dilution of NAV for all Common Shareholders (i.e., will cause the NAV of the Fund to decrease) and may have the effect of reducing the market price of the Fund's Common Shares. It is anticipated that the existing Common Shareholders will experience immediate dilution even if they fully exercise their Rights. Such dilution is not currently determinable because it is not known how many Common Shares will be subscribed for, what the NAV or market price of our Common Shares will be on the Expiration Date or what the subscription price per Common Share will be. However, assuming full exercise of the Rights being offered at the Subscription Price and assuming that the Expiration Date was [], it is estimated that the per share dilution resulting from the Offer would be \$[]. Any such dilution will disproportionately affect nonexercising Common Shareholders. If the Subscription Price is substantially less than the Fund's current NAV, this dilution could be substantial. The distribution to Common Shareholders of transferable Rights, which may themselves have intrinsic value, also will afford non-participating Common Shareholders of record on the Record Date, the potential of receiving cash payment upon the sale of the Rights, receipt of which may be viewed as partial compensation for any dilution of their interests that may occur as a result of the Offer. There can be no assurance that a market for the Rights will develop or, if such a market does develop, what the price of the Rights will be. See The Offer Dilution and Effect of Non-Participation in the Offer.

Example of Dilution to NAV Resulting from the Offer

(a)	Net asset value per Common Share (as of [])	\$	[]
(b)	Total net assets (as of [])	\$	[]
(c)	Estimated reduction in current net asset value per Common Share resulting from the Offer (per share dilution)(1)(2)	\$	[]
(d)	Estimated percentage reduction in current net asset value per Common Share resulting from the Offer(1)(3)		[]%

(1) Assumes full exercise of the Rights being offered, that the Expiration Date was [], and that all of the Common Shares are sold at the estimated Subscription Price of \$[] and deducts all expenses related to the issuance of the Common Shares in the Offer. The Fund, not investors, pays the sales load, which is ultimately thus borne by all Common Shareholders.

(2) Item (c) was calculated by subtracting (A) the Fund's estimated net asset value per Common Share immediately following the completion of the Offer from (B) the Fund's net asset value per Common Share (as of []). The Fund's estimated net asset value per Common Share immediately following the completion of the Offer was estimated (using the assumptions described in note (1) above) by dividing (X) the estimated net asset value of the Fund immediately following the Offer by (Y) the estimated total number of Common Shares outstanding immediately following the completion of the Offer.

(3) Item (d) was calculated by dividing Item (c) by Item (a).

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There can be no assurance that the dilution will be limited to the amounts shown in the table above. The final amounts of such dilution may be greater than those estimated due to many factors, including the Fund's market price and NAV at the time of completion of the Offer and the level of participation in the Offer.

The number of Common Shares outstanding as of [] was []. The number of Common Shares adjusted to give effect to the Offer, assuming that all Rights are exercised and the applicable Common Shares issued, would be []. The percentage increase in Common Shares outstanding that will occur if all the Rights are exercised is [] %.

All of the costs of the Offer will be borne by the Fund's Common Shareholders.

Important Terms of the Offer

The Fund is issuing to Common Shareholders of record at the close of business on [], 2013 (the Record Date)

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one transferable Right for each whole Common Share held. Each Common Shareholder on the Record Date that continues to hold Rights and each other holder of the Rights is entitled to subscribe for one Common Share for every [] Rights held (1 for []). The Fund will not issue fractional shares of its Common Shares upon the exercise of Rights; accordingly, Rights may be exercised only in multiples of [], except that any Record Date Common Shareholder who is issued fewer than [] Rights will be able to subscribe for one Common Share. Record Date Common Shareholders who hold two or more accounts may not combine their fractional interests across accounts. Rights are evidenced by subscription certificates that will be mailed to Record Date Common Shareholders, except as described under The Offer Foreign Common Shareholders. We refer to a Rights holder's right to acquire during the subscription period at the Subscription Price one additional Common Share for every [] Rights held (or in the case of any Record Date Common Shareholder who is issued fewer than [] Rights, the right to acquire one Common Share), as the Primary Subscription.

Rights holders may exercise Rights at any time during the subscription period, which commences on [], 2013 and expires at 5:00 p.m., New York City time, on [], 2013 unless otherwise extended by the Fund. See The Offer Expiration of the Offer. The Rights are transferable and will be listed for trading on the NYSE under the symbol [[]] during the course of the Offer. See The Offer Transferability and Sale of Rights.

Record Date Common Shareholders who fully exercise the Rights they obtained in the Primary Subscription (other than those Rights that cannot be exercised because they represent the right to acquire less than one Common Share) will be entitled to an over-subscription privilege under which they may subscribe for additional Common Shares at the Subscription Price. Any Common Shares made available pursuant to the over-subscription privilege are subject to allotment. See The Offer Over-Subscription Privilege.

In this prospectus, we use the terms Common Shareholders to refer to any person that holds Common Shares, Record Date Common Shareholders to refer to those Common Shareholders that held their Common Shares on the Record Date and Existing Rights Holders to refer to those persons (i) that are Record Date Common Shareholders to whom the Rights were issued initially to the extent that a Record Date Common Shareholder continues to hold Rights and (ii) any subsequent transferees of the Rights that continue to hold the Rights.

Subscription Price

The subscription price per Common Share (the Subscription Price) will be determined based upon a formula equal to [% of the average of the last reported sales price of a Common Share on the NYSE on the date on which the Offer expires, as such date may be extended from time to time (the Expiration Date), and each of the four (4) preceding trading days (the Formula Price). If, however, the Formula Price is less than 80% of the net asset value per Common Share (NAV) of the Fund's Common Shares at the close of trading on the NYSE on the Expiration Date, then the Subscription Price will be % of the Fund's NAV at the close of trading on the NYSE on that day]. Since the Subscription Price will be determined on the Expiration Date, Rights holders who decide to acquire Common Shares in the Primary Subscription or pursuant to the over-subscription privilege will not know when they make such decisions the purchase price of those Common Shares. See The Offer Subscription Price. The Fund will pay a sales load on the Subscription Price.

Over-Subscription Privilege

Record Date Common Shareholders who fully exercise all Rights issued to them (other than those Rights to acquire less than one Common Share, which cannot be exercised) are entitled to subscribe for additional Common Shares which were not subscribed for by other Record Date Common Shareholders, subject to certain limitations and subject to allotment. This is known as the over-subscription privilege (the Over-Subscription Privilege). Investors who are not Record Date Common Shareholders, but who otherwise acquire Rights to purchase our

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Common Shares pursuant to the Offer, are not entitled to subscribe for any of our Common Shares pursuant to the Over-Subscription Privilege. If sufficient Common Shares are available, all Record Date Common Shareholders' over-subscription requests will be honored in full. If these requests for Common Shares exceed the Common Shares available, the available Common Shares will be allocated pro rata among Record Date Common Shareholders who over-subscribe based on the number of Rights originally issued to them by the Fund. See The Offer Over-Subscription Privilege.

Transferability and Sale of Rights

The Rights are transferable until the close of business on the last business day prior to the Expiration Date of the Offer. The Rights will be listed for trading on the NYSE under the symbol [[]] during the course of the Offer. Trading in the Rights on the NYSE is expected to be conducted on a when-issued basis beginning on [[]], 2013 through [[]], 2013; thereafter, the Rights will trade the regular way through [[]], 2013 (one (1) business day prior to the Expiration Date (including any extensions)). We will seek to ensure that an adequate trading market for the Rights will exist, by requesting that the Rights trade on the NYSE and by retaining the dealer manager for the Offer (the Dealer Manager), subscription agent for the Offer (the Subscription Agent) and the information agent for the Offer (the Information Agent), but we cannot assure you that a market for the Rights will develop. Assuming a market does exist for the Rights, you may

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purchase and sell the Rights through the usual brokerage channels or sell the Rights through the Subscription Agent.

Record Date Common Shareholders who do not wish to exercise any or all of their Rights may instruct the Subscription Agent to try to sell any Rights they do not intend to exercise themselves. Subscription certificates evidencing the Rights to be sold by the Subscription Agent must be received by the Subscription Agent on or before 5:00 p.m., New York City time, on [], 2013 (or, if the subscription period is extended, on or before 5:00 p.m., New York City time, two (2) business days prior to the extended Expiration Date). The Rights evidenced by a subscription certificate may be transferred in whole by endorsing the subscription certificate for transfer in accordance with the accompanying instructions. A portion of the Rights evidenced by a single subscription certificate (but not fractional Rights) may be transferred by delivering to the Subscription Agent a subscription certificate, properly endorsed for transfer, with instructions to register such portion of the Rights evidenced thereby in the name of the transferee and to issue a new subscription certificate to the transferee evidencing the transferred Rights. See The Offer Transferability and Sale of Rights.

Use of Proceeds

The net proceeds of the Offer, assuming all Common Shares offered hereby are sold, are estimated to be approximately \$[], after deducting expenses associated with the Offer, including the sales load. The Adviser anticipates that investment of the net proceeds of the Offer in accordance with the Fund's investment objectives and policies will take approximately [thirty (30) to sixty (60)] days after completion of the Offer. The Fund intends to use the proceeds of the Offer to make investments consistent with its investment objectives. However, the investment of the net proceeds may take up to three months from completion of the Offer, depending on market conditions and the availability of appropriate securities. Pending such investment, it is anticipated that the net proceeds will be invested in fixed income securities and other permitted investments. See Use of proceeds.

How to Obtain Subscription Information

- Contact your broker-dealer, trust company, bank or other nominee, or
- Contact the Information Agent toll-free at [].

How to Subscribe

Rights may be exercised by either:

- sending a completed subscription certificate together with payment of the estimated Subscription Price of \$[] per Common Share [(% of the average last reported sales price per Common Share on [] and each of the four (4) preceding trading days) for the Common Shares subscribed for in the Primary Subscription and for any additional Common Shares subscribed for pursuant to the Over-Subscription Privilege to the Subscription Agent, the completed subscription certificate and payment must be received by the Subscription

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Agent prior to 5:00 p.m., New York City time, on the Expiration Date, or

- having a bank, trust company or NYSE member deliver a Notice of Guaranteed Delivery to the Subscription Agent guaranteeing delivery of (i) payment of the full estimated Subscription Price of \$[] per Common Share for the Common Shares subscribed for in the Primary Subscription and for any additional Common Shares subscribed for pursuant to the Over-Subscription Privilege and (ii) a completed subscription certificate, such Notice of Guaranteed Delivery must be received by the Subscription Agent prior to 5:00 p.m., New York City time, on the Expiration Date.

For additional information on exercising your Rights, see The Offer Methods for Exercising Rights and The Offer Payment for Common Shares.

Except as described herein, Rights holders will have no right to rescind their subscriptions after receipt of their payment for Common Shares by the Subscription Agent.

Subscription Agent

The Subscription Agent for the Offer is:

[]

Restrictions on Foreign Common Shareholders

The Fund will not mail subscription certificates to Record Date Common Shareholders whose record addresses are outside the United States (for these purposes, the United States includes its territories and possessions and the District of

Columbia), but such Common Shareholders will receive written notice of the Offer. The Subscription Agent will hold the Rights to which those subscription certificates relate for such Common Shareholders' accounts until instructions are received to exercise, sell or transfer the Rights, subject to applicable law. If no instructions have been received by 5:00 p.m., New York City time, on [], 2013 three (3) business days prior to the Expiration Date (or, if the subscription period is extended, on or before three (3) business days prior to the extended Expiration Date), the Subscription Agent will ask the Dealer Manager if it will purchase the Rights. If the Dealer Manager declines to purchase the Rights, the Subscription Agent will attempt to sell such Rights in the open market. The net proceeds, if any, from the sale of those Rights will be remitted to these Common Shareholders. See The Offer Foreign Common Shareholders.

Distribution Arrangements

[] will act as Dealer Manager for the Offer. Under the terms and subject to the conditions contained in a Dealer Manager Agreement among the Fund, the Adviser and the Dealer Manager, the Dealer Manager will provide financial structuring and solicitation services in connection with the Offer and will solicit the exercise of Rights and participation in the Over-Subscription Privilege by Record Date Common Shareholders. The Offer is not contingent upon any number of Rights being exercised. The Fund has agreed to pay the Dealer Manager a fee for financial structuring and solicitation services equal to []% of the Subscription Price for each Common Share issued pursuant to the exercise of Rights and the Over-Subscription Privilege. The Dealer Manager will reallow a part of its fees to other broker-dealers that have assisted in soliciting the exercise of Rights. The Fund has also agreed to pay the Dealer Manager up to \$[] as a partial reimbursement for its reasonable out-of-pocket expenses incurred in connection with the Offer. [The Fund will also pay expenses relating to the printing or other production, mailing and delivery expenses incurred in connection with materials related to the Offer, including all reasonable out-of-pocket fees and expenses, if any and not to exceed \$10,000, incurred by the Dealer Manager, Selling Group Members (as defined below), Soliciting Dealers (as defined below) and other brokers, dealers and financial institutions in connection with their customary mailing and handling of materials related to the Offer to their customers. The Fund and the Adviser have also agreed to indemnify the Dealer Manager against certain liabilities under the 1933 Act.] The fees paid to the Dealer Manager will be borne by the Fund and indirectly by all of its Common Shareholders, including those who do not exercise the Rights. All of the costs of the Offer will be borne by the Fund's Common Shareholders. See The Offer Distribution Arrangements and Compensation to Dealer Manager.

Prior to the expiration of the Offer, the Dealer Manager may independently offer for sale Common Shares of the Fund acquired through exercising the Rights at prices that may be different from the market price for such Common Shares or from the price to be received by the Fund upon the exercise of Rights. See The Offer Distribution Arrangements.

Subscription Agent

The Subscription Agent is []. Under the terms and subject to the conditions contained in a Subscription Agent Agreement between the Fund and the Subscription Agent, the Subscription Agent in connection with the Offer will provide services related to the distribution of the subscription certificates and the issuance and exercise of Rights to subscribe as set forth therein. [The Fund has also agreed to indemnify the Subscription Agent and its nominees against all liability and reasonable expense which may arise out of the services described in the Subscription Agent Agreement, except for any liability or expense arising out of negligence, bad faith or willful misconduct of the Subscription Agent or its nominees.] See The Offer Subscription Agent.

Information Agent

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The Information Agent is [] Under the terms and subject to the conditions contained in an Information Agent Agreement between the Fund and the Information Agent, the Information Agent will provide communication, dissemination and other related services in connection with the Offer. [The Fund has also agreed to indemnify the Information Agent