Advaxis, Inc.
Form S-1/A
September 27, 2013

As filed with the Securities and Exchange Commission on September 27, 2013

Registration No. 333-188637

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ADVAXIS, INC.

(Exact name of registrant as specified in its charter)

Delaware	2836	02-0563870
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

305 College Road East
Princeton, New Jersey 08540
(609) 452-9813

(Address, including zip code, and telephone number, including
area code, of registrant s principal executive office)

Mr. Daniel J. O Connor
Chief Executive Officer
305 College Road East
Princeton, New Jersey 08540
(609) 452-9813

(Name, address, including zip code, and telephone number, including
area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement is declared effective.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box: x

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: o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) 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: o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) 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: 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.

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

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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price[1]	Amount of Registration Fee[2]	
Common Stock, $0.001 par value per share[2][3]	$ 23,000,000	$ 3137.20	
Common Stock Purchase Warrants	$ 23,000	$ 3.14	(4)
Shares of Common Stock, $0.001 par value per share, underlying Common Stock Purchase Warrants[2][7]	$ 14,375,000	$ 1960.75	
Representative s Common Stock Purchase Warrant			(5)
Shares of Common Stock underlying Representative s Common Stock Purchase Warrant[2][6]	$ 750,000	$ 102.30	
Total Registration Fee[8]	$ 38,148,000	$ 5,203.39	

(1) Estimated solely for the purpose of calculating the amount of registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended (the Securities Act).

(2) Pursuant to Rule 416, under the Securities Act the securities being registered hereunder include such indeterminate number of additional shares of common stock as may be issued after the date hereof as a result of stock splits, stock dividends or similar transactions.

(3) Includes shares the underwriters have the option to purchase to cover over-allotments, if any.

(4) Estimated solely for purpose of calculating the registration fee pursuant to Rule 457(i) under the Securities Act.

(5) No registration fee required pursuant to Rule 457(g) under the Securities Act.

(6) Estimated solely for purpose of calculating the registration fee pursuant to Rule 457(g) under the Securities Act, based on an estimated proposed maximum aggregate offering price of $750,000 or 125% of $600,000 (3% of $20,000,000).

(7) There will be issued a warrant to purchase one share of common stock for every two shares offered. The warrants are exercisable at a per share price equal to [125%] of the common stock public offering price.

(8) Filing fee of $5,201.82 previously paid.

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 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

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

PRELIMINARY PROSPECTUS **SUBJECT TO COMPLETION** **DATED SEPTEMBER 27, 2013**

Shares of Common Stock

Warrants to Purchase Shares of Common Stock

We are offering shares of our common stock and warrants to purchase up to an aggregate of shares of our common stock. The warrants will have a per share exercise price of $ [[125%] of public offering price of the common stock]. The warrants are exercisable immediately and will expire [five] years from the date of issuance. On July 12, 2013, we effected a 1-for-125 reverse stock split of our issued and outstanding common stock.

Our common stock is traded on the OTCQB Marketplace, operated by the OTC Markets Group, under the symbol ADXS. We have applied to list our common stock and warrants on The NASDAQ Capital Market under the symbols ADXS and ADXSW, respectively. No assurance can be given that our application will be approved. On September 25, 2013, the last reported sale price for our common stock on the OTCQB Marketplace was $6.60 per share.

Our business and an investment in our securities involves a high degree of risk. See Risk Factors beginning on page 19 of this prospectus for a discussion of information that you should consider before investing in our securities.

Neither the Securities and Exchange Commission 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 Share	Per Warrant	Total
Public offering price	$	$	$
Underwriting discounts and commissions[(1)]	$	$	$
Proceeds, before expenses, to us	$	$	$

(1) There will be additional items of value paid in connection with this offering that are viewed by the Financial Regulatory Authority, Inc. as underwriting compensation. Payment of this additional underwriting compensation will reduce the proceeds to us, before expenses. See Underwriting beginning on page 107 of this prospectus for a description of compensation payable to the underwriters.

The underwriters may also purchase up to an additional shares of common stock and warrants from us at the public offering price, less the underwriting discount, within 45 days from the date of this prospectus to cover over-allotments, if any.

The underwriters expect to deliver the shares and warrants against payment therefor on or about , 2013.

Aegis Capital Corp

, 2013

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You should rely only on the information contained in this prospectus or in any free writing prospectus that we may specifically authorize to be delivered or made available to you. We have not, and the underwriters have not, authorized anyone to provide you with any information other than that contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus may only be used where it is legal to offer and sell our securities. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our securities. Our business, financial condition, results of operations and prospects may have changed since that date. We are not, and the underwriters are not, making an offer of these securities in any jurisdiction where the offer is not permitted.

For investors outside the United States: We have not and the underwriters have not done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the securities and the distribution of this prospectus outside the United States.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our securities, you should carefully read this entire prospectus, including our financial statements and the related notes and the information set forth under the headings Risk Factors and Management s Discussion and Analysis of Financial Condition and Results of Operations in each case included elsewhere in this prospectus. Unless otherwise stated or the context requires otherwise, references in this prospectus to Advaxis, we, us, or our refer to Advaxis, Inc.

Advaxis, Inc.

Business Overview

We are a clinical development stage biotechnology company focused on the discovery, development and commercialization of our proprietary *Lm*-LLO immunotherapies to treat cancers and infectious diseases. These immunotherapies are based on a platform technology that utilizes live attenuated *Listeria monocytogenes,* which we refer to as *Listeria* or *Lm*, that have been bioengineered to secrete antigen/adjuvant fusion proteins. We believe that these *Lm*-LLO strains are a significant advancement in immunotherapy as they integrate multiple functions into a single immunotherapy because they access and direct antigen presenting cells, or APC, to stimulate anti-tumor T-cell immunity, stimulate and activate the immune system with the equivalent of multiple adjuvants, and simultaneously reduce tumor protection in the tumor microenvironment to enable the T-cells to eliminate tumors. Other immunotherapies may employ individual elements of our comprehensive approach, but, to our knowledge, none combine all of these elements together in a single, easily administered, well-tolerated yet comprehensive immunotherapy.

The effectiveness of our approach has been validated by numerous publications in multiple models of human disease. In the clinic, ADXS-HPV, our lead *Lm*-LLO immunotherapy for the treatment of Human Papilloma Virus-, or HPV-, associated diseases, is well-tolerated and has been administered to both young patients with pre-malignant dysplasia, as well as patients with advanced disease. Clinical efficacy has been demonstrated by apparent prolonged survival, complete and partial tumor responses, and the prolonged stabilization of advanced cancer. The preliminary data from our ongoing Phase 2 clinical trial of ADXS-HPV in patients with recurrent cervical cancer demonstrate that ADXS-HPV is an active agent in this disease setting with a manageable safety profile. We achieved proof of concept with this Phase 2 study, and over the next two to five years, we plan to advance ADXS-HPV through registrational Phase 3 trials and regulatory approval(s) in the United States and relevant markets for the treatment of women with cervical cancer. We are currently evaluating this same *Lm*-LLO immunotherapy in Phase 1/2 clinical trials for two other HPV-associated cancers: head and neck cancer and anal cancer. In June 2013, we submitted three requests for orphan drug designation to the U.S. Food and Drug Administration, or FDA, Office of Orphan Products Development, or OOPD, for ADXS-HPV in the treatment of invasive cervical cancer, head and neck cancer and anal cancer, and in August 2013 received notification that our anal cancer orphan drug designation request was granted. In addition, we plan to advance ADXS-PSA, which is an *Lm*-LLO immunotherapy directed against prostate-specific antigen, or PSA, our second *Lm*-LLO immunotherapy, into a Phase 1 trial to determine the maximum tolerated dose for the treatment of prostate cancer in the first half of 2014. We plan for this to be a dose escalation trial to evaluate safety and determine the maximum tolerated dose for the treatment of prostate cancer. A third *Lm*-LLO immunotherapy, ADXS-cHER2, is being evaluated for safety and efficacy in the treatment of companion dogs with human epidermal growth factor receptor-2, or HER2, over-expressing osteosarcoma.

We have a robust and extensive patent portfolio that protects our core technology, new constructs, inventions, and improvements. Our current patent portfolio includes 41 issued patents and 35 pending patent applications. To develop our technology, we may enter into commercial partnerships, joint ventures, or other arrangements with competitive or complementary companies, including pharmaceutical or biotechnology companies or universities during the preclinical or clinical stages. Our current collaborations include the preclinical development of *Lm*-LLO immunotherapies for a number of indications. We currently have over 15 distinct immunotherapies in various stages of development, developed directly by us and through strategic collaborations with recognized centers of excellence. These include but are not limited to the following

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Advaxis immunotherapy and corresponding tumor antigen: ADXS11-001/HPV16-E7, ADXS31-142/Prostate Specific Antigen, ADXS31-164/HER2/neu Chimera, Lm-LLO-HMW-MAA/HMW-MAA, C-terminus fragment, Lm-LLO-ISG15/ISG15, Lm-LLO CD105/Endoglin, Lm-LLO-flk/VEGF and Bivalent Therapy, HER-2-Chimera/HMW-MAA-C. We will continue to conduct preclinical research to develop additional *Lm*-LLO constructs to expand our platform technology and may develop additional distinct immunotherapies in the future. We are exploring potential development and commercialization collaborations for certain drug candidates in our development pipeline.

We have sustained losses from operations in each fiscal year since our inception, and we expect these losses to continue for the indefinite future, due to the substantial investment in research and development. As of July 31, 2013 and October 31, 2012, we had an accumulated deficit of $60,181,464 and $47,601,427, respectively, and stockholders deficiency of $6,726,819 and $5,962,724, respectively.

Our *Lm*-LLO Immunotherapy Platform Technology

Our immunotherapies are based on a platform technology under exclusive license from the University of Pennsylvania, or Penn, that utilizes live attenuated *Lm* bioengineered to secrete antigen/adjuvant fusion proteins within APC, to generate a strong T-cell immunity. These *Lm* strains use a fragment of the protein listeriolysin, or LLO, fused to a tumor associated antigen, or TAA, or other antigen of interest. We refer to these as *Lm*-LLO immunotherapies. We believe these *Lm*-LLO immunotherapies redirect the potent immune response to *Lm* that is inherent in humans to the TAA or antigen of interest. In addition, our technology facilitates the immune response by altering the tumor microenvironment to reduce immunologic tolerance in the tumors but leave normal tissues unchanged. This makes the tumor more susceptible to immune attack.

The field of immunotherapy is a relatively new area of cancer treatment development that holds tremendous promise to generate more effective and better tolerated treatments for cancer than the more traditional, high dose chemotherapy and radiation therapies that have been the mainstay of cancer treatment thus far. There are many approaches toward immunotherapy that have been recently approved or are in development. We believe *Lm*-LLO immunotherapies will offer a more comprehensive immunotherapy in a single, well-tolerated, easy to administer treatment than other alternative immunotherapy treatments.

The following diagram illustrates how the live attenuated *Lm* in our immunotherapies are phagocytosed and processed by an APC leading to the stimulation of CD4+ T cell, or helper T cells, and CD8+ T cells, or killer T cells.

Tregs, and myeloid-derived suppressor cells, or MDSC, is reduced. Thus we believe *Lm*-LLO immunotherapies may stimulate innate and adaptive tumor-specific immunity while simultaneously reducing immune tolerance to tumors.

We believe our *Lm*-LLO immunotherapies integrate all four of what we consider to be the essential elements of a cancer immunotherapy into a comprehensive, single, well-tolerated, easy to manufacture and administer immunotherapy.

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Our Preclinical and Clinical Development Pipeline

Our most advanced drug candidates in clinical development are ADXS-HPV, ADXS-PSA and ADXS-cHER2:

ADXS-HPV. ADXS-HPV is an *Lm*-LLO immunotherapy directed against HPV-associated cancers. ADXS-HPV directs the patient s own APC to generate a comprehensive immune response focused around creating cytotoxic T-cells that we believe may be capable of infiltrating the tumors and directly killing HPV-transformed cancer cells. At the same time, ADXS-HPV also causes a reduction in the number and function of immunosuppressive regulatory Tregs and myeloid-derived suppressor cells, or MDSC, that protect tumors by deactivating T-cells, thereby potentially enabling the cytotoxic T-cells to be effective at killing tumor cells within the tumor microenvironment. We plan to advance ADXS-HPV through registrational Phase 3 trials and regulatory approval(s) in the United States and relevant markets for the treatment of women with cervical cancer. We are also in early stage clinical trials for head and neck cancer and for anal cancer. Future plans for the ADXS-HPV franchise are contingent upon a number of variables including available resources, types and number of studies, study initiation, patient enrollment, clinical and safety data generated, regulatory interactions and changing competitive landscape.

ADXS-PSA. ADXS-PSA is an *Lm*-LLO immunotherapy directed against PSA. ADXS-PSA is designed to target cells expressing PSA. ADXS-PSA secretes the PSA antigen, fused to LLO, directly inside the APC, that are cable of driving a cellular immune response to PSA expressing cells. In preclinical analysis, the localized effect is the inhibition of the Treg and MDSC cells that we believe may promote immunologic tolerance of the PSA cancer cells of the tumor. We have conducted a pre-Investigational New Drug application, or IND, meeting with the FDA to discuss the chemistry, manufacturing and controls, pharmacology, toxicity and clinical plans for ADXS-PSA. We will finalize the toxicology and good manufacturing practice, or GMP, documentation required for the IND we plan to submit to the FDA and advance ADXS-PSA into a Phase 1 dose escalation trial to determine the maximum tolerated dose for the treatment of prostate cancer. Future plans for the ADXS-PSA clinical program are contingent upon a number of variables including available resources, types and number of studies, study initiation, patient enrollment, clinical and safety data generated, regulatory interactions and changing competitive landscape.

ADXS-cHER2. ADXS-cHER2 is an *Lm*-LLO immunotherapy for HER2 overexpressing cancers (such as breast, gastric and other cancers in humans and for osteosarcoma in canines). ADXS-cHER2 secretes the cHER2 antigen, fused to LLO, directly inside APC that are capable of driving a cellular immune response to cHER2 overexpressing cells. In preclinical analysis, localized effect is the inhibition of the Treg and MDSC cells that we believe may promote immunologic tolerance of the HER2 overexpressing cancer cells of the tumor. We currently are conducting a Phase 1 study in companion dogs evaluating the safety and efficacy of ADXS-cHER2 in the treatment of canine osteosarcoma. Preliminary data has shown encouraging survival in 9 dogs treated with ADXS-cHER2, as compared to 11 untreated dogs, appearing to validate the activity of the platform and providing the rationale to advance into human clinical trials. We plan to meet with the U.S. Department of Agriculture, or USDA, to discuss the requirements to proceed forward with our first immunotherapy in the veterinary market. Future plans for the ADXS-cHER2 program are contingent upon a number of variables including available resources, types and number of studies, study initiation, patient enrollment, clinical and safety data generated, regulatory interactions and changing competitive landscape.

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The following table summarizes the stage of development of ADXS-HPV, ADXS-PSA and ADXS-cHER2:

ADXS-HPV Phase 2 Data

We have completed dosing in *Lm*-LLO-E7-15, a Phase 2 randomized trial designed to assess the safety and efficacy of ADXS-HPV ($1x10^9$ cfu) with and without cisplatin (40 mg/m2, weekly x5). 110 patients were randomized to one of two treatment arms with 55 patients per treatment. The primary endpoint of the study is overall survival. As reported at the American Society of Clinical Oncology, or ASCO, annual meeting in June 2013, the trial completed enrollment and 110 patients received 264 doses of ADXS11-001. As of June 2013, the percentage of patients at 12 months was 36% (39/110) and at 18 months was 22% (16/73), which compares favorably with published reports cited by the National Comprehensive Cancer Network Guidelines and/or the Gynecological Oncology Group, or GOG, of historical 12 month survival of 0-22% with single agent therapies considered active in recurrent cervical cancer and suggests that ADXS-HPV is an active treatment in this disease. The study is expected to be completed in August 2013.

Survival results were not significantly different between treatment groups. Survival outcomes and tumor responses were not affected by Eastern Cooperative Oncology Group (or ECOG) performance status (0 2); type of prior therapy (radiation alone, chemotherapy alone, or a combination of both); or aggressiveness of disease (defined as recurrence ≤2 years from initial diagnosis) versus non-aggressive disease (defined as recurrence >2 years from initial diagnosis).

Tumor responses have been observed in both treatment arms with six complete responses and six partial responses. 41% (45/110) of patients (33/65) had durable stable disease for at least 3 months as indicated by the orange dashed lines in the following waterfall plot. Tumor reductions have been observed against all high-risk HPV strains detected, including HPV 16, 18, 31, 33 and 45. Average duration of response after 12 month minimum follow-up was 10.5 months for both treatment groups. In those patients treated with ADXS-HPV alone who had stable disease, the average duration of response was 6 months compared to 4.1 months in patients treated with ADXS-HPV plus cisplatin.

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***Lm*-LLO-E7-15 Best Response Data**

(as of May 17, 2013)

ADXS-HPV continues to demonstrate a well-tolerated and manageable safety profile with 41% (45/110) of patients reporting predominately cytokine-release syndrome Grade 1 or 2 transient, non-cumulative side effects related/possibly related to ADXS-HPV. Side effects either responded to symptomatic treatment or self-resolved. Less than 2% of patients reported serious adverse events associated with ADXS-HPV. Serious adverse events are defined as resulting in death, are life-threatening, cause significant disability or require impatient hospitalization.

Business Strategy

Our strategy is to maintain and fortify a leadership position in the discovery, acquisition and development of *Lm*-LLO immunotherapies that target for cancer and infectious disease. The fundamental goals of our business strategy include the following:

Be the first immunotherapy company to commercialize a therapeutic HPV-associated oncology drug. Because we believe ADXS-HPV is the most clinically advanced cervical cancer immunotherapy, we aim to fortify our leadership position and be the first to commercialize our *Lm*-LLO immunotherapy for this unmet medical need.

Develop and commercialize ADXS-HPV in multiple HPV-associated cancers. We plan to advance ADXS-HPV through registrational Phase 3 trials and regulatory approval in the United States and relevant markets for the treatment of cervical cancer. If successful, we plan to submit a Biologics License Application, or BLA, to the FDA as the basis for marketing approval in the United States of ADXS-HPV for the treatment of cervical cancer. HPV, the target for ADXS-HPV, is expressed on a wide variety of cancers including cervical, head and neck, anal, vulva, vaginal, and penile. Accordingly, we believe that ADXS-HPV should be active in these HPV-associated cancers and these indications could represent significant market opportunities for ADXS-HPV.

Obtain Orphan Drug Designation with the FDA and the European Medicines Agency, or EMEA, for ADXS-HPV for use in the treatment of invasive cervical cancer, head and neck cancer and anal cancer. In June 2013, we filed three applications for Orphan Drug Designation for ADXS-HPV with the FDA and in August 2013 received notification that our anal cancer orphan drug designation request was granted. Orphan status is granted by the FDA to promote the development of products that demonstrate promise for the treatment of rare diseases affecting fewer

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than 200,000 individuals in the United States annually, or more than 200,000 individuals in the United States and for which there is no reasonable expectation that the cost of developing and making a drug or biological product available in the United States for this type of disease or condition will be recovered from sales of the product. Orphan drug designation would entitle our company to a seven-year period of marketing exclusivity in the United States for ADXS-HPV if it is approved by the FDA for the treatment of invasive cervical, head and neck and or anal cancer, and would enable us to apply for research funding, tax credits for certain research expenses, and a waiver from the FDA s application user fee. Orphan drug status in the European Union has similar but not identical benefits in that jurisdiction.

Develop ADXS-PSA in prostate cancer. We plan to advance ADXS-PSA into a Phase 1 dose escalation trial to determine the maximum tolerated dose for the treatment of patients with prostate cancer.

Develop scale-up and commercial manufacturing processes. We plan to develop scale-up and commercial manufacturing processes, including the development of a lyophilized dosage form.

Leverage our proprietary drug discovery platform to identify new therapeutic immunotherapies. We intend to conduct research relating to the development of the next generations of our *Lm*-LLO immunotherapies using new antigens of interest; improving the *Lm*-LLO based platform technology by developing new strains of *Listeria* that may be more suitable as live vaccine vectors; developing bivalent *Lm*-LLO immunotherapies; further evaluating synergy of *Lm*-LLO immunotherapies with cytotoxic therapies and continuing to develop the use of LLO as a component of a fusion protein based immunotherapy. We currently have over 15 distinct immunotherapies in various stages of development, developed directly by us and through strategic collaborations with recognized centers of excellence. These include but are not limited to the following Advaxis immunotherapy and corresponding tumor antigen: ADXS11-001/HPV16-E7, ADXS31-142/Prostate Specific Antigen, ADXS31-164/HER2/neu Chimera, Lm-LLO-HMW-MAA/HMW-MAA, C-terminus fragment, Lm-LLO-ISG15/ISG15, Lm-LLO CD105/Endoglin, Lm-LLO-flk/VEGF and Bivalent Therapy, HER-2-Chimera/HMW-MAA-C. We will continue to conduct preclinical research to develop additional *Lm*-LLO constructs to expand our platform technology and may develop additional distinct immunotherapies in the future. Our growth strategy is to expand from the ADXS-HPV franchise into larger cancer indications such as prostate and breast cancer to further validate the robustness and versatility of the platform technology and to develop immunotherapies that we believe to be of interest to big pharmaceutical partners. We also intend to further expand the research and development programs to provide multiple biomarker-specific products with applications across multiple tumor types that express those biomarkers. Additionally, we plan to partner with or acquire a target discovery company, develop multiple constructs targeting numerous biomarker targets to deliver the promise of biomarker driven multi-targeted immunotherapies. The overall goal with each patient is to: biopsy the patient s tumor; identify which biomarkers are expressed; treat the patient with our immunotherapies that hit multiple targets simultaneously, adding in the ability to adjust an individual s immunotherapy over time based on changes in the tumor. We believe that if successful, this has the potential to revolutionize the treatment of cancer.

Enter into commercialization collaborations for ADXS-HPV. If ADXS-HPV is approved by the FDA and other regulatory authorities for first use, we plan to either enter into commercial partnerships, joint ventures, or other arrangements with competitive or complementary companies, including pharmaceutical companies or commercialize these products ourselves in North America and Europe through direct sales and distribution.

Develop commercialization capabilities in India, China, South America, North America and Europe. We believe that the infrastructure required to commercialize our oncology products is relatively limited, which may make it cost-effective for us to internally develop a marketing effort and sales force. If ADXS-HPV is approved by the FDA and other regulatory authorities for first use and we do not enter into commercial partnerships, joint ventures, or other arrangements with

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competitive or complementary companies, including pharmaceutical companies, we plan to commercialize these products ourselves in North America and Europe through direct sales and distribution. However, we will remain opportunistic in seeking strategic partnerships in these and other markets when advantageous.

Continue to both leverage and strengthen our intellectual property portfolio. We plan to continue to leverage our *Lm*-LLO immunotherapies intellectual property portfolio to create value. We intend to file new patent applications, in-license new intellectual property and take other steps to strengthen, leverage, and expand our intellectual property position.

Short-Term Strategic Goals and Objectives

During the next 12 months, our strategic goals and objectives include the following:

Complete our Phase 2 clinical study in India of ADXS-HPV in the treatment of recurrent cervical cancer, report final Phase 2 data at the Society for Immunotherapy of Cancer, or SITC, Annual Meeting, optimize the dose and schedule through additional Phase 1/2 trials and finalize the registration strategy;

Conduct an end of Phase 2 meeting with the FDA, draft Phase 3 protocols and submit a Special Protocols Assessment for ADXS-HPV;

Continue to support the Phase 2 clinical trial of ADXS-HPV in the treatment of advanced cervical cancer with the GOG, largely underwritten by the National Cancer Institute, or NCI;

Continue our collaboration with the Cancer Research, United Kingdom, or CRUK, to support the Phase 1/2 clinical trial of ADXS-HPV in the treatment of head and neck cancer, entirely underwritten by the CRUK;

Initiate an additional Phase 1/2 study in head and neck cancer for ADXS-HPV; seek to conduct Advisory Board with key opinion leaders;

Continue our collaboration with the Brown University, Oncology Group, or BrUOG, to support the Phase 1/2 clinical trial of ADXS-HPV in the treatment of anal cancer, entirely underwritten by the BrUOG;

Discuss development plan for ADXS-HPV in anal cancer with the FDA in light of Orphan Drug Designation;

Obtain Orphan Drug Designation for two separate indications: the treatment of invasive cervical cancer and the treatment of HPV-positive head and neck cancer;

Continue our collaboration with the School of Veterinary Medicine at Penn to support the Phase 1/2 clinical trial of ADXS-cHER2 in canine osteosarcoma;

Continue to develop and maintain strategic and development collaborations with academic laboratories, clinical investigators and potential commercial partners;

Continue the preclinical analyses and manufacturing activities required to support the IND submission for ADXS-PSA for the treatment of prostate cancer in preparation for a Phase 1 study;

Continue the preclinical development of additional *Lm*-LLO constructs as well as research to expand our platform technology; and

Continue to actively pursue licensing discussions with multiple partners for our immunotherapies, execute definitive license agreement in strategic markets with high HPV prevalence consistent with already established commercial terms.

Risks

We are a development stage company and have generated minimal revenues to date. Since our inception, we have incurred substantial losses. Our business and our ability to execute our business strategy are subject

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to a number of risks of which you should be aware before you decide to buy our securities. In particular, you should carefully consider the following risks, which are discussed more fully in Risk Factors beginning on page 19 of this prospectus.

We are a development stage company.

As a result of our current lack of financial liquidity and negative stockholders equity, our auditors have expressed substantial concern about our ability to continue as a going concern.

We have significant indebtedness, which may restrict our business and operations, adversely affect our cash flow and restrict our future access to sufficient funding to finance desired growth.

Our limited operating history does not afford investors a sufficient history on which to base an investment decision.

We can provide no assurance of the successful and timely development of new products.

Our research and development expenses are subject to uncertainty.

We are subject to numerous risks inherent in conducting clinical trials.

The successful development of immunotherapies is highly uncertain.

We must comply with significant government regulations.

We can provide no assurance that our clinical product candidates will obtain regulatory approval or that the results of clinical studies will be favorable.

We may not obtain or maintain the benefits associated with orphan drug designation, including market exclusivity.

We rely upon patents to protect our technology. We may be unable to protect our intellectual property rights and we may be liable for infringing the intellectual property rights of others.

We are dependent upon our license agreement with Penn; if we fail to make payments due and owing to Penn under our license agreement, our business will be materially and adversely affected.

If we are unable to obtain licenses needed for the development of our product candidates, or if we breach any of the agreements under which we license rights to patents or other intellectual property from third parties, we could lose license rights that are important to our business.

We have no manufacturing, sales, marketing or distribution capability and we must rely upon third parties for such.

If we are unable to establish or manage strategic collaborations in the future, our revenue and drug development may be limited.

We may incur substantial liabilities from any product liability claims if our insurance coverage for those claims is inadequate.

We may incur significant costs complying with environmental laws and regulations.

If we use biological materials in a manner that causes injury, we may be liable for damages.

We need to attract and retain highly skilled personnel; we may be unable to effectively manage growth with our limited resources.

We depend upon our senior management and key consultants and their loss or unavailability could put us at a competitive disadvantage.

The biotechnology and immunotherapy industries are characterized by rapid technological developments and a high degree of competition. We may be unable to compete with more substantial enterprises.

The price of our common stock and warrants may be volatile.

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You may have difficulty selling our shares because they may be deemed penny stocks.

A DTC Chill on the electronic clearing of trades in our securities in the future may affect the liquidity of our stock and our ability to raise capital.

A limited public trading market may cause volatility in the price of our common stock and warrants.

There is no assurance of an established public trading market.

We may not be able to achieve secondary trading of our stock in certain states because our common stock is not nationally traded.

Speculative nature of warrants.

If we fail to remain current on our reporting requirements, we could be removed from the OTCQB Marketplace, which would limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

Our internal control over financial reporting and our disclosure controls and procedures have been ineffective in the past, and may be ineffective again in the future, and failure to improve them at such time could lead to errors in our financial statements that could require a restatement or untimely filings, which could cause investors to lose confidence in our reported financial information, and a decline in our stock price.

Sales of additional equity securities may adversely affect the market price of our common stock and your rights in us may be reduced.

Additional authorized shares of common stock available for issuance may adversely affect the market price of our securities.

The accounting treatment for our convertible securities and certain of our warrants is complex and subject to judgments concerning the valuation of embedded derivative rights within the applicable securities. Fluctuations in the valuation of these rights could cause us to take charges to our earnings and make our financial results unpredictable.

We do not intend to pay cash dividends.

If we sell shares of our common stock under our committed equity line financing facility, our existing stockholders will experience immediate dilution and, as a result, our stock price may go down.

If we are not able to satisfy the conditions to each draw down under the committed equity line financing facility, we will not be able to sell our common stock pursuant to the committed equity line financing facility.

Our certificate of incorporation, Bylaws and Delaware law have anti-takeover provisions that could discourage, delay or prevent a change in control, which may cause our stock price to decline.

Our management will have broad discretion over the use of the net proceeds from this offering and we may use the net proceeds in ways with which you disagree or which do not produce beneficial results.

You will experience immediate and substantial dilution as a result of this offering and may experience additional dilution in the future as we do further financings and transactions.

On July 12, 2013, we effected a 1-for-125 reverse stock split of our outstanding common stock. However, the reverse stock split may not increase our stock price sufficiently and we may not be able to list our common stock and warrants on The NASDAQ Capital Market, in which case this offering may not be completed.

Even if the reverse stock split achieves the requisite increase in the market price of our common stock, we cannot assure you that we will be able to continue to comply with the minimum bid price requirement of The NASDAQ Capital Market.

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Even if the reverse stock split increases the market price of our common stock, there can be no assurance that we will be able to comply with other continued listing standards of The NASDAQ Capital Market.

The reverse stock split may decrease the liquidity of the shares of our common stock. Following the reverse stock split, the resulting market price of our common stock may not attract new investors, including institutional investors, and may not satisfy the investing requirements of those investors. Consequently, the trading liquidity of our common stock may not improve.

Recent Developments

Debt Conversion Agreements

In September 2013, we entered into agreements with certain holders of our outstanding indebtedeness to amend the terms of their existing arrangements and provide for repayment thereof or conversion into our securities, as follows:

Moore Notes. On September 26, 2013, we entered into a debt conversion and repayment agreement with Thomas A Moore, a Director of our company and our former Chief Executive Officer, with respect to the repayment and partial conversion of amounts owed to Mr. Moore under outstanding promissory notes issued pursuant to that certain Note Purchase Agreement dated September 22, 2008, as amended from time to time. We refer to these outstanding notes as the Moore Notes. As provided in the agreement, following the closing of this offering: (a) we will pay Mr. Moore $100,000 in cash as partial repayment of the Moore Notes, (b) one-half of the remaining balance (approximately $162,659) will automatically convert at the closing of this offering into restricted shares of our common stock and warrants at a conversion price equal to the public offer price in this offering, and (c) within three months of the closing of this offering, we will pay Mr. Moore in cash the then remaining outstanding balance under the Moore Notes (after taking into account the $100,000 payment and automatic conversion in our securities). Following the cash payments and partial conversion into our securities, there will no longer be any outstanding balances under the Moore Notes and we will no longer have any obligations under the Moore Notes. Securities received by Mr. Moore upon conversion will be restricted securities and subject to customary lock-up restrictions.

Redwood Bridge Notes. On September 27, 2013, we entered into an exchange agreement with Redwood Management, LLC, with respect to the conversion of amounts owed to Redwood under that certain convertible promissory note with an aggregate principal amount of $277,778 issued to Redwood in June 2013 in a bridge financing. We agreed to issue 125,000 restricted shares of our common stock to Redwood, in exchange for the convertible promissory note. Accordingly, we no longer have any outstanding obligations to Redwood under these bridge financing notes.

We are currently negotiating with the holders of approximately $1,628,000 outstanding principal amount of convertible promissory notes to exchange those outstanding securities for shares of our common stock or new convertible promissory notes that have fixed (rather than variable) conversion prices. There can be no guarantee that we will be successful in agreeing to terms with such holders, and there is a risk that such indebtedness may continue to be outstanding following this offering.

Series B Preferred Redemption

On September 26, 2013, we entered into a Notice of Redemption and Settlement Agreement with Optimus Capital Partners, LLC, a Delaware limited liability company, dba Optimus Life Sciences Capital Partners, LLC, Optimus CG II, Ltd., a Cayman Islands exempted Company and Socius CG II, Ltd., a Bermuda exempted Company, pursuant to which we agreed to redeem our outstanding shares of Series B Preferred Stock. Pursuant to the agreement, we agreed to cancel an outstanding receivable in the amount of $10,633,584 as of the date of the agreement as payment in full of the redemption payment due under the terms of the Series B Preferred Stock and agreed to issue 33,750 shares of our

common stock to settle a disagreement regarding the calculation of the settlement amount under a July 2012 Order and Stipulation. In

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connection with the redemption, we agreed to cancel the outstanding warrant held by Optimus. Accordingly, following such redemption, there are no longer any shares of our Series B Preferred Stock issued and outstanding.

JMJ Financial September 2013

On September 4, 2013, in a private placement, we issued JMJ Financial a convertible promissory note. The face amount of the note reflects an aggregate principal amount of $800,000 for total consideration of $720,000 (or a 10% original issue discount). However, we have currently only borrowed $575,000 from JMJ Financial under this convertible promissory note. JMJ Financial paid us $500,000 in cash as consideration for the note. We also issued JMJ Financial 19,231 restricted shares of our common stock as a $50,000 origination fee for this convertible promissory note. JMJ Financial has no obligation to lend us the remaining $220,000 of available principal amount under the note and may never do so. The convertible promissory note matures September 4, 2014 and, in addition to the 10% original issue discount, provides for payment of a one time interest charge of 5% on funded amounts. The convertible promissory note is convertible at any time, in whole or in part, at JMJ Financial s option into shares of our common stock at the lesser of $2.65 or 70% of the average of the lowest two closing prices in the 20-day pricing period preceding a conversion. However, at no time will JMJ Financial be entitled to convert any portion of the note to the extent that after such conversion, JMJ Financial (together with its affiliates) would beneficially own more than 4.99% of our outstanding shares common stock as of such date. We agreed to reserve at least 2,000,000 shares of our common stock for conversion of the note.

If we complete a public offering of $5,000,000 or more, JMJ Financial has the right, at its election, to require us to repay the note, in whole or in part, in amount equal to 125% of the sum of the funded principal amount being repaid plus all accrued and unpaid interest liquidated damages, fees, and other amounts due on such principal amount. Accordingly, JMJ had the right to require repayment from the proceeds from this offering. In connection with the sale of this convertible promissory note to JMJ Financial, JMJ Financial agreed to amend the terms of its April 2013 note to eliminate its right to participate in our next public offering of securities, and we agreed that JMJ Financial may require us to repay its April 2013 note, in whole or in part, if we complete a public offering of $5,000,000 or more (down from $10,000,000). Accordingly, JMJ had the right to require repayment of the April 2013 note from the proceeds from this offering. Although we are currently negotiating with JMJ Financial to exchange these April 2013 and September 2013 notes for shares of our common stock or new notes without variable conversion rate terms and waive any right to repayment out of the proceeds of this offering, there is no guarantee that JMJ Financial will agree to any such exchange or waiver.

Sale of Notes Collateralized by NOLs and R&D Tax Credits

On August 20, 2013, in a private placement pursuant to a note purchase agreement, we issued an accredited investor a secured convertible promissory note in the aggregate principal amount of $108,000, for a purchase price of $100,000. On September 18, 2013, we borrowed an additional $150,000 from this accredited investor and amended and restated the terms of the August note and issued this investor 12,000 shares of our common stock. As amended and restated, this note has an aggregate principal amount of $258,000, bears interest at a rate of 20% per annum and is due February 21, 2014, nine months after its original issuance date. To secure prompt payment under the note, we granted the holder a continuing security interest in all net proceeds we receive up to the aggregate amount of $258,000 plus accrued interest from the sale of our net operating loss and or research and development tax credits through the New Jersey Economic Development Program. We may prepay the note at any time, however, if we pay the note prior to receiving the proceeds from such sales through the New Jersey Economic Development Program, we agreed to pay the sum of $295,200.

Termination of Engagement Agreement

On August 19, 2013, we entered into an agreement with a financial advisor to terminate a July 2012 engagement agreement between the parties, pursuant to which the advisor asserted claims for unpaid fees related to the introduction of investors to us and services provided. As consideration for terminating the agreement, we agreed to pay the advisor approximately $589,000 in monthly installment payments in either cash or shares of our common stock, and a warrant to purchase 30,154 shares of our common stock at an

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exercise price of $4.90 per share. Additionally, we agreed to pay the advisor an additional $150,000 upon the completion of a contemplated public offering of securities. On September 17, 2013, we issued 25,582 shares of our common stock as an installment payment under this agreement and also issued the warrant to acquire 30,154 shares of our common stock at $4.90 per share, and on September 27, 2013, we issued 158,385 shares of our common stock to satisfy the remaining amount owed under this agreement.

New Chief Executive Officer and New Chairman of the Board

At a meeting of the Board held on August 14, 2013, Thomas A. Moore indicated his intent to resign as our Chairman of the Board and President and Chief Executive Officer, or CEO, effective August 19, 2013 in line with the previously contemplated succession plan. Mr. Moore will continue to serve on the Board and will act as a consultant to us. In light of Mr. Moore s notification to the Board of his intent to resign as President and CEO and the Board s succession plan, the Board appointed Daniel J. O Connor (formerly Executive Vice President), to the position of President and CEO, effective August 19, 2013. Mr. O Connor s appointment as President and CEO is the outcome of the succession planning initiatives over the past year by Mr. Moore and the Board. The Board also fixed the number of Board members at seven and appointed Mr. O Connor as a Director to fill the newly created vacancy in accordance with our bylaws, all effective August 19, 2013. Mr. O Connor will hold office as a Director until our next annual meeting of stockholders, subject to his earlier resignation or removal. Mr. O Connor has not currently been appointed to any standing committee of the Board. Dr. James Patton, Chairman of the Audit Committee, was elected to serve as Non-Executive Chairman of the Board effective August 19, 2013. We have entered into an employment agreement with Mr. O Connor and a consulting agreement with Mr. Moore, which both took effect on August 19, 2013. For a description of the agreements, see Management Summary Compensation Table Discussion of Summary Compensation Table.

Orphan Drug Designation

In August 2013, the FDA granted our orphan drug designation request for ADXS-HPV for anal cancer.

Reverse Stock Split and Share Capital Decrease

In July 2013, we amended our Amended and Restated Certificate of Incorporation by the filing of two Certificates of Amendment with the Delaware Secretary of State as follows: (a) on July 11, 2013, to effect a 1-for-125 reverse stock split of our common stock, par value $0.001 per share, to take effect on July 12, 2013 at 4:30 p.m. EDT, and (b) on July 12, 2013, to decrease the total number of authorized shares of our common stock on a post-reverse stock split basis, so that the total number of shares that we have the authority to issue is 30,000,000 shares, of which 25,000,000 shares are common stock and 5,000,000 shares are blank check preferred stock. The reverse stock split was effective at approximately 4:30 p.m. EDT on July 12, 2013, and the share capital decrease took effect thereafter upon filing with the Delaware Secretary of State.

Yenson Company, Ltd. MOU

In April 2013, we signed a memorandum of understanding with FusionVax, which was subsequently re-executed between us and Yenson Company, Ltd., or Yenson. The memorandum of understanding sets out the framework for entry into a definitive agreement to license ADXS-HPV for commercialization in Asia (except India). Under the terms of the memorandum of understanding, we agreed to work towards drafting a definitive agreement that exclusively licenses the rights to ADXS-HPV to Yenson (or NewCo) for the Asia territory, exclusive of India, for all indications. Subject to the entry into a definitive agreement, Yenson will pay us an up-front payment, certain event-based financial milestones, an annual exclusive licensing fee, and an annual net sales royalty in countries with issued patents. In

exchange for the up-front payment, we will provide Yenson an equal amount worth of our common stock. Yenson will be responsible for conducting clinical trials and pursuing commercialization of ADXS-HPV in Asia and, in exchange, we will pay Yenson net sales annual royalty on ADXS-HPV in the United States of less than 1%. Yenson, accompanied with Taiwan Biotech Co., Ltd. and several Taiwanese venture capital funds plan to form a new company (NewCo) and transfer all rights to the NewCo to execute the obligations and commitments described in the memorandum of understanding. On August 28, 2013, we entered into a Securities Purchase Agreement with Yenson, pursuant to which we issued Yenson 45,353 shares of our common stock and a 3-year warrant to acquire 22,161 shares of our common stock at an exercise price of $2.76 per share for $100,000 in cash.

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Corporate Information

We were originally incorporated in the State of Colorado on June 5, 1987 under the name Great Expectations, Inc. We were a publicly-traded shell company without any business until November 12, 2004 when we acquired Advaxis, Inc., a Delaware corporation, through a Share Exchange and Reorganization Agreement, dated as of August 25, 2004, which we refer to as the Share Exchange, by and among Advaxis, the stockholders of Advaxis and us. As a result of the Share Exchange, Advaxis became our wholly-owned subsidiary and our sole operating company. On December 23, 2004, we amended and restated our articles of incorporation and changed our name to Advaxis, Inc. On June 6, 2006, our stockholders approved the reincorporation of our company from Colorado to Delaware by merging the Colorado entity into our wholly-owned Delaware subsidiary. Our date of inception, for financial statement purposes, is March 1, 2002.

Our principal executive offices are located at 305 College Road East, Princeton, New Jersey 08540 and our telephone number is (609) 452-9813. We maintain a website at *www.advaxis.com* which contains descriptions of our technology, our drugs and the trial status of each drug. The information on our website is not incorporated into this prospectus.

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THE OFFERING

Securities offered by us

shares of common stock and warrants to purchase up to an aggregate of shares of common stock.

Common stock to be outstanding immediately after this offering

shares of common stock (if the warrants are exercised in full). If the underwriter s over-allotment option is exercised in full, the total number of shares of common stock outstanding immediately after this offering would be (if the warrants are exercised in full).

Description of Warrants

The warrants will have a per share exercise price equal to $ [[125%] of public offering price of the common stock]. The warrants are exercisable immediately and expire five years from the date of issuance.

Use of proceeds

We intend to use the net proceeds received from this offering to fund our research and development activities and for working capital and general corporate purposes. We also intend to use $100,000 of the proceeds to make a required payment under the terms of our sublease as modified (see Business Description of Property), further use approximately $185,000 for payment under the terms of a settlement agreement with Vibalogics GmbH for overdue balances (see Business Collaborations, Partnerships and Agreements Vibalogics GmbH), use $150,000 for payments due under an engagement agreement termination agreement, use $100,000 as partial payment of our outstanding obligations to our Director, Mr. Moore, under the Moore Notes (as defined elsewhere in this prospectus) and use approximately $495,000 to repay outstanding indebtedness. See Use of Proceeds on page 38.

Risk factors

See Risk Factors beginning on page 19 and the other information included in this prospectus for a discussion of factors you should carefully consider before investing in our securities.

OTCQB Marketplace trading symbol

ADXS

Proposed Symbol and Listing

We have applied to list our common stock and warrants on The NASDAQ Capital Market under the symbols ADXS and ADXSW, respectively.

Unless we indicate otherwise, all information in this prospectus:

reflects a 1-for-125 reverse stock split of our issued and outstanding shares of common stock, options and warrants effected on July 12, 2013 and the corresponding adjustment of all common stock prices per share and stock option and warrant exercise prices per share;

is based on 5,534,596 shares of common stock issued and outstanding as of September 27, 2013;

excludes 125,000 shares of common stock issuable upon conversion of $277,778 in outstanding principal amount of convertible promissory notes and accrued interest thereon, which the holders have agreed to convert to common stock.

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excludes 24,645 shares of common stock issuable upon conversion of approximately $162,659 in outstanding debt and accrued interest thereon (assuming an offer price of $6.60 per share, the closing price on September 25, 2013) which the holder has agreed to convert to common stock and warrants at a conversion price equal to the offering price upon the closing of this offering but does not include 12,333 shares of common stock underlying these warrants.
assumes no exercise by the underwriters of their option to purchase up to an additional shares of common stock and warrants to cover over-allotments, if any.
excludes 123,804 shares of common stock issuable upon conversion of outstanding warrants to purchase shares of our common stock exercisable at approximately $15.11 per share and are subject to weighted-average anti-dilution protection upon certain equity issuances below $15.11 per share (as may be further adjusted as defined in the warrant) as of September 27, 2013;
excludes 624,025 shares of our common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of $14.78 per share as of September 27, 2013;
excludes 467,923 shares of our common stock issuable upon exercise of outstanding stock options under our stock incentive plans at a weighted average exercise price of $20.00 per share as of September 27, 2013;
excludes 737,422 shares of common stock issuable upon conversion of outstanding convertible promissory notes in the aggregate principal amount of approximately $1,628,000 at their current conversion prices as of September 27, 2013;
excludes 32,425 shares of common stock earned but not yet issued to our Chief Executive Officer; and
excludes shares of common stock underlying the warrants to be issued to the underwriters in connection with this offering.

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SUMMARY FINANCIAL DATA

The following table sets forth our summary statement of operations data for the fiscal years ended October 31, 2012 and 2011 derived from our audited financial statements and related notes included elsewhere in this prospectus. The summary financial data for the nine months ended July 31, 2013 and 2012, and as of July 31, 2013, are derived from our unaudited financial statements appearing elsewhere in this prospectus and are not indicative of results to be expected for the full year. Our financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States. The results indicated below are not necessarily indicative of our future performance. You should read this information together with the sections entitled Capitalization, Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and related notes included elsewhere in this prospectus.

	Nine Months Ended July 31,		Year Ended October 31,	
	2013	2012	2012	2011
Revenue	$	$	$	$
Operating Expenses				
Research and Development Expenses	4,411,793	5,760,158	6,646,094	8,078,901
General and Administrative Expenses	6,299,670	4,297,110	5,688,677	4,939,935
Total Operating expenses	10,711,463	10,057,268	12,334,771	13,018,836
Loss from Operations	(10,711,463)	(10,057,268)	(12,334,771)	(13,018,836)
Other Income (expense):				
Interest expense	(600,004)	(4,241,805)	(4,536,528)	(4,698,983)
Other Income (expense)	(15,926)	25,715	12,002	(78,911)
(Loss) Gain on note retirement	349,009	(2,173,491)	(2,187,787)	(461,595)
Net changes in fair value of common stock warrant liability and embedded derivative liability	(2,326,843)	6,020,434	6,630,610	9,763,113
Net Loss before benefit for income taxes	(13,305,227)	(10,426,415)	(12,416,474)	(8,495,212)
Income tax benefit	725,190	346,787	346,787	379,472
Net Loss	(12,580,037)	(10,079,628)	(12,069,687)	(8,115,740)
Dividends attributable to preferred shares	555,000	555,000	740,000	1,538,686
Net Loss applicable to Common Stock	$(13,135,037)	$(10,634,628)	$(12,809,687)	$(9,654,426)
Net Loss per share, basic and diluted	$(3.13)	$(4.45)	$(4.99)	$(5.41)
Weighted average number of shares outstanding, basic and diluted	4,190,062	2,387,443	2,564,819	1,783,348

	As of July 31, 2013	
	Actual	Pro Forma, As Adjusted[(1)]
Balance Sheet Data:		
Cash and cash equivalents	$40	$17,177,288
Total assets	4,363,383	21,543,613
Total liabilities	11,090,202	10,196,488
Total shareholders (deficiency)	(6,726,819)	11,632,907

(1) Pro forma, as adjusted amounts give effect to (i) the issuance of common stock, warrants and convertible notes from August 1, 2013 through and immediately prior to the date of this offering, (ii) the conversion of approximately $899,722 in aggregate principal amount of promissory notes, together with all interest accrued and unpaid thereon through the date of conversion into 407,478 shares of our common stock, (iii) the conversion of $162,659 in aggregate principal amount of convertible promissory notes, together with all interest accrued and unpaid thereon through the date of conversion into 24,645 shares of our common stock and warrants to purchase 12,323 shares of our common stock with the same terms as the warrants offered in this offering upon completion of this offering at the assumed public offering price of $6.60 per share (the closing price on September 25, 2013) and $0.01 per warrant, (iv) the redemption of our outstanding shares of Series B Preferred Stock and cancellation of an underlying receivable; (v) a

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one-time charge to earnings of approximately $247,250 that will occur immediately upon the completion of this offering for employee bonuses that are payable upon the closing of this offering, 50% of which will be paid in restricted stock units and the resulting reduction in cash on our pro forma balance sheet of approximately $124,000, (vi) the sale of 3,030,303 shares and warrants to acquire 1,515,152 shares in this offering at the assumed public offering price of $6.60 per share (the closing price on September 25, 2013) and $.01 per warrant, (vii) the repayment of approximately $596,000 in other convertible notes payable and accrued interest from the net proceeds received in this offering and repayment of contractual obligations of approximately $435,000 (viii) after deducting underwriting discounts and commissions and other estimated offering expenses payable by us.

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RISK FACTORS

Any investment in our securities involves a high degree of risk. Investors should carefully consider the risks described below and all of the information contained in this prospectus before deciding whether to purchase our common stock and warrants. Our business, financial condition or results of operations could be materially adversely affected by these risks if any of them actually occur. This prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face as described below and elsewhere in this prospectus.

Risks Related to our Business and Industry

We are a development stage company.

We are an early development stage biotechnology company with a history of losses and can provide no assurance as to future operating results. As a result of losses that will continue throughout our development stage, we may exhaust our financial resources and be unable to complete the development of our products. We anticipate that our ongoing operational costs will increase significantly as we continue conducting our clinical development program. Our deficit will continue to grow during our drug development period. Since our inception, we have had no revenue, and do not expect to have any revenue for another three to five years, depending on when we can commercialize our immunotherapies, if at all.

We have sustained losses from operations in each fiscal year since our inception, and we expect losses to continue for the indefinite future due to the substantial investment in research and development. As of July 31, 2013 we had an accumulated deficit of $60,181,464 and stockholders deficiency of $6,726,819. We expect to spend substantial additional sums on the continued administration and research and development of proprietary products and technologies with no certainty that our immunotherapies will become commercially viable or profitable as a result of these expenditures. If we fail to raise a significant amount of capital, we may need to significantly curtail operations or cease operations in the near future. If any of our product candidates fails in clinical trials or does not gain regulatory approval, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods.

As a result of our current lack of financial liquidity and negative stockholders equity, our auditors have expressed substantial concern about our ability to continue as a going concern.

Our limited capital resources and operations to date have been funded primarily with the proceeds from public and private equity and debt financings, as well as state net operating losses, or NOLs, and research tax credits and income earned on investments and grants. Based on our currently available cash, we do not have adequate cash on hand to cover our anticipated expenses for the next 12 months. If we fail to raise a significant amount of capital, we may need to significantly curtail operations, cease operations or seek federal bankruptcy protection in the near future. In addition, from time to time, we may be unable to make payroll due to our lack of cash. These conditions have caused our auditors to raise substantial doubt about our ability to continue as a going concern. Consequently, the audit report prepared by our independent public accounting firm relating to our financial statements for the year ended October 31, 2012 included a going concern explanatory paragraph.

We have significant indebtedness, which may restrict our business and operations, adversely affect our cash flow and restrict our future access to sufficient funding to finance desired growth.

As of July 31, 2013, the total outstanding principal and interest of our indebtedness was approximately $2.4 million, including notes outstanding to our former Chief Executive Officer in the amount of approximately $0.4 million. Certain of our indebtedness contain restrictive covenants that limit our ability to issue certain types of indebtedness, which may prevent us from obtaining additional indebtedness on commercially reasonable terms, or at all. If we are not able to service our debt, we will need to refinance all or part of that debt, sell assets, borrow more money or sell securities, which we may not be able to do on commercially reasonable terms, or at all. The terms of our notes include customary events of default and covenants that restrict our ability to incur additional indebtedness. These restrictions and covenants may prevent us from engaging in transactions that might otherwise be considered beneficial to us. A breach of the provisions of our indebtedness could result in an event of default under our outstanding notes. If an event of

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default occurs under our notes (after any applicable notice and cure periods), the holders will be entitled to accelerate the repayment of amounts outstanding, plus accrued and unpaid interest. In the event of a default under our senior indebtedness, the holders could also foreclose against the assets securing such obligations. In the event of a foreclosure on all or substantially all of our assets, we may not be able to continue to operate as a going concern.

Our limited operating history does not afford investors a sufficient history on which to base an investment decision.

We commenced our *Lm*-LLO based immunotherapy development business in February 2002 and have existed as a development stage company since such time. Prior thereto we conducted no business. Accordingly, we have a limited operating history. We have no approved products or products pending approval and therefore have not derived any revenue from the sales of products and have not yet demonstrated ability to obtain regulatory approval, formulate and manufacture commercial scale products, or conduct sales and marketing activities necessary for successful product commercialization. Consequently, there is limited information for investors to use as basis for assessing our future viability. Investors must consider the risks and difficulties we have encountered in the rapidly evolving vaccine and immunotherapy industry. Such risks include the following:

difficulties, complications, delays and other unanticipated factors in connection with the development of new drugs;
competition from companies that have substantially greater assets and financial resources than we have;
need for acceptance of our immunotherapies;
ability to anticipate and adapt to a competitive market and rapid technological developments;
need to rely on multiple levels of complex financing agreements with outside funding due to the length of drug development cycles and governmental approved protocols associated with the pharmaceutical industry; and
dependence upon key personnel including key independent consultants and advisors.

We cannot be certain that our strategy will be successful or that we will successfully address these risks. In the event that we do not successfully address these risks, our business, prospects, financial condition and results of operations could be materially and adversely affected. We may be required to reduce our staff, discontinue certain research or development programs of our future products and cease to operate.

We can provide no assurance of the successful and timely development of new products.

Our immunotherapies are at various stages of research and development. Further development and extensive testing will be required to determine their technical feasibility and commercial viability. We will need to complete significant additional clinical trials demonstrating that our product candidates are safe and effective to the satisfaction of the FDA and other non-U.S. regulatory authorities. The drug approval process is time-consuming, involves substantial expenditures of resources, and depends upon a number of factors, including the severity of the illness in question, the availability of alternative treatments, and the risks and benefits demonstrated in the clinical trials. Our success will depend on our ability to achieve scientific and technological advances and to translate such advances into licensable, FDA-approvable, commercially competitive products on a timely basis. Failure can occur at any stage of the process. If such programs are not successful, we may invest substantial amounts of time and money without developing revenue-producing products. As we enter a more extensive clinical program for our product candidates, the data generated in these studies may not be as compelling as the earlier results.

Immunotherapies and vaccines that we may develop are not likely to be commercially available until five to ten or more years. The proposed development schedules for our immunotherapies may be affected by a variety of factors, including technological difficulties, clinical trial failures, regulatory hurdles, competitive products, intellectual

property challenges and/or changes in governmental regulation, many of which will not be within our control. Any delay in the development, introduction or marketing of our products could result

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either in such products being marketed at a time when their cost and performance characteristics would not be competitive in the marketplace or in the shortening of their commercial lives. In light of the long-term nature of our projects, the unproven technology involved and the other factors described elsewhere in this section, there can be no assurance that we will be able to successfully complete the development or marketing of any new products.

Our research and development expenses are subject to uncertainty.

Factors affecting our research and development expenses include, but are not limited to:

competition from companies that have substantially greater assets and financial resources than we have;
need for acceptance of our immunotherapies;
ability to anticipate and adapt to a competitive market and rapid technological developments;
amount and timing of operating costs and capital expenditures relating to expansion of our business, operations and infrastructure;
need to rely on multiple levels of outside funding due to the length of drug development cycles and governmental approved protocols associated with the pharmaceutical industry; and
dependence upon key personnel including key independent consultants and advisors.

There can be no guarantee that our research and development expenses will be consistent from period to period. We may be required to accelerate or delay incurring certain expenses depending on the results of our studies and the availability of adequate funding.

We are subject to numerous risks inherent in conducting clinical trials.

We outsource the management of our clinical trials to third parties. Agreements with clinical investigators and medical institutions for clinical testing and with other third parties for data management services, place substantial responsibilities on these parties that, if unmet, could result in delays in, or termination of, our clinical trials. For example, if any of our clinical trial sites fail to comply with FDA-approved good clinical practices, we may be unable to use the data gathered at those sites. If these clinical investigators, medical institutions or other third parties do not carry out their contractual duties or obligations or fail to meet expected deadlines, or if the quality or accuracy of the clinical data they obtain is compromised due to their failure to adhere to our clinical protocols or for other reasons, our clinical trials may be extended, delayed or terminated, and we may be unable to obtain regulatory approval for, or successfully commercialize, agents such as ADXS-HPV. We are not certain that we will successfully recruit enough patients to complete our clinical trials nor that we will reach our primary endpoints. Delays in recruitment, lack of clinical benefit or unacceptable side effects would delay or prevent the initiation of the Phase 3 trials of ADXS-HPV.

We or our regulators may suspend or terminate our clinical trials for a number of reasons. We may voluntarily suspend or terminate our clinical trials if at any time we believe they present an unacceptable risk to the patients enrolled in our clinical trials or do not demonstrate clinical benefit. In addition, regulatory agencies may order the temporary or permanent discontinuation of our clinical trials at any time if they believe that the clinical trials are not being conducted in accordance with applicable regulatory requirements or that they present an unacceptable safety risk to the patients enrolled in our clinical trials.

Our clinical trial operations are subject to regulatory inspections at any time. If regulatory inspectors conclude that we or our clinical trial sites are not in compliance with applicable regulatory requirements for conducting clinical trials, we may receive reports of observations or warning letters detailing deficiencies, and we will be required to implement corrective actions. If regulatory agencies deem our responses to be inadequate, or are dissatisfied with the corrective actions we or our clinical trial sites have implemented, our clinical trials may be temporarily or permanently

discontinued, we may be fined, we or our investigators may be precluded from conducting any ongoing or any future clinical trials, the government may refuse to approve our marketing applications or allow us to manufacture or market our products, and we may be criminally prosecuted.

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The lengthy approval process as well as the unpredictability of future clinical trial results may result in our failing to obtain regulatory approval for ADXS-HPV or our other product candidates, which would materially harm our business, results of operations and prospects.

The successful development of immunotherapies is highly uncertain.

Successful development of biopharmaceuticals is highly uncertain and is dependent on numerous factors, many of which are beyond our control. Immunotherapies that appear promising in the early phases of development may fail to reach the market for several reasons including:

preclinical study results that may show the immunotherapy to be less effective than desired (e.g., the study failed to meet its primary objectives) or to have harmful or problematic side effects;

clinical study results that may show the immunotherapy to be less effective than expected (e.g., the study failed to meet its primary endpoint) or to have unacceptable side effects;

failure to receive the necessary regulatory approvals or a delay in receiving such approvals. Among other things, such delays may be caused by slow enrollment in clinical studies, length of time to achieve study endpoints, additional time requirements for data analysis, or Biologics License Application preparation, discussions with the FDA, an FDA request for additional preclinical or clinical data, or unexpected safety or manufacturing issues;

manufacturing costs, formulation issues, pricing or reimbursement issues, or other factors that make the immunotherapy uneconomical; and

the proprietary rights of others and their competing products and technologies that may prevent the immunotherapy from being commercialized.

Success in preclinical and early clinical studies does not ensure that large-scale clinical studies will be successful. Clinical results are frequently susceptible to varying interpretations that may delay, limit or prevent regulatory approvals. The length of time necessary to complete clinical studies and to submit an application for marketing approval for a final decision by a regulatory authority varies significantly from one immunotherapy to the next, and may be difficult to predict.

Even if we are successful in getting market approval, commercial success of any of our product candidates will also depend in large part on the availability of coverage and adequate reimbursement from third-party payers, including government payers such as the Medicare and Medicaid programs and managed care organizations, which may be affected by existing and future health care reform measures designed to reduce the cost of health care. Third-party payers could require us to conduct additional studies, including post-marketing studies related to the cost effectiveness of a product, to qualify for reimbursement, which could be costly and divert our resources. If government and other health care payers were not to provide adequate coverage and reimbursement levels for one any of our products once approved, market acceptance and commercial success would be reduced.

In addition, if one of our products is approved for marketing, we will be subject to significant regulatory obligations regarding the submission of safety and other post-marketing information and reports and registration, and will need to continue to comply (or ensure that our third party providers) comply with cGMPs, and GCPs, for any clinical trials that we conduct post-approval. In addition, there is always the risk that we or a regulatory authority might identify previously unknown problems with a product post-approval, such as adverse events of unanticipated severity or frequency. Compliance with these requirements is costly, and any failure to comply or other issues with our product candidates post-market approval could have a material adverse effect on our business, financial condition and results of operations.

We must comply with significant government regulations.

The research and development, manufacture and marketing of human therapeutic and diagnostic products are subject to regulation, primarily by the FDA in the United States and by comparable authorities in other countries. These national agencies and other federal, state, local and foreign entities regulate, among other things, research and development activities (including testing in animals and in humans) and the testing, manufacturing, handling, labeling, storage, record keeping, approval, advertising and promotion of the products that we are developing. If

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we obtain approval for any of our product candidates, our operations will be directly or indirectly through our customers, subject to various federal and state fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statue and the federal False Claims Act, and privacy laws. Noncompliance with applicable laws and requirements can result in various adverse consequences, including delay in approving or refusal to approve product licenses or other applications, suspension or termination of clinical investigations, revocation of approvals previously granted, fines, criminal prosecution, civil and criminal penalties, recall or seizure of products, exclusion from having our products reimbursed by federal health care programs, the curtailment or restructuring of our operations, injunctions against shipping products and total or partial suspension of production and/or refusal to allow a company to enter into governmental supply contracts

The process of obtaining requisite FDA approval has historically been costly and time-consuming. Current FDA requirements for a new human biological product to be marketed in the United States include: (1) the successful conclusion of preclinical laboratory and animal tests, if appropriate, to gain preliminary information on the product s safety; (2) filing with the FDA of an IND to conduct human clinical trials for drugs or biologics; (3) the successful completion of adequate and well-controlled human clinical trials to establish the safety and efficacy of the investigational new drug for its recommended use; and (4) filing by a company and acceptance and approval by the FDA of a Biologic License Application, or BLA, for a biological investigational new drug, to allow commercial distribution of a biologic product. The FDA also requires that any drug or formulation to be tested in humans be manufactured in accordance with its Good Manufacturing Practices, or GMP, regulations. This has been extended to include any drug that will be tested for safety in animals in support of human testing. The GMPs set certain minimum requirements for procedures, record-keeping and the physical characteristics of the laboratories used in the production of these drugs. A delay in one or more of the procedural steps outlined above could be harmful to us in terms of getting our immunotherapies through clinical testing and to market.

We can provide no assurance that our clinical product candidates will obtain regulatory approval or that the results of clinical studies will be favorable.

We are currently evaluating the safety and efficacy of ADXS-HPV in a number of ongoing clinical trials. However, even though the initiation and conduct of these trials is in accordance with the governing regulatory authorities in each country, as with any investigational new drug (under an IND in the United States, or the equivalent in countries outside of the United States), we are at risk of a clinical hold at any time based on the evaluation of the data and information submitted to the governing regulatory authorities.

There can be delays in obtaining FDA (U.S.) and/or other necessary regulatory approvals in the United States and in countries outside the United States for any investigational new drug and failure to receive such approvals would have an adverse effect on the investigational new drug s potential commercial success and on our business, prospects, financial condition and results of operations. The time required to obtain approval by the FDA and non-U.S. regulatory authorities is unpredictable but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. For example, the FDA or non-U.S. regulatory authorities may disagree with the design or implementation of our clinical trials or study endpoints; or we may be unable to demonstrate that a product candidate s clinical and other benefits outweigh its safety risks. In addition, the FDA or non-U.S. regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials or the data collected from clinical trials of our product candidates may not be sufficient to support the submission of an NDA or other submission or to obtain regulatory approval in the United States or elsewhere. The FDA or non-U.S. regulatory authorities may fail to approve the manufacturing processes or facilities of third-party manufacturers with which we contract for clinical and commercial supplies; and the approval policies or regulations of the FDA or non-U.S. regulatory authorities may significantly change in a manner rendering

our clinical data insufficient for approval.

In addition to the foregoing, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate s clinical development and may vary among jurisdictions. We have not submitted for nor obtained regulatory approval for any product candidate and it is possible that none of our existing product candidates or any product candidates we may seek to develop in the future will ever obtain regulatory approval.

We can provide no assurance that our clinical product candidates will obtain regulatory approval or that the results

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We may not obtain or maintain the benefits associated with orphan drug designation, including market exclusivity.

Although we requested orphan drug designation for ADXS-HPV for use in the treatment of invasive cervical cancer and head and neck cancer in the United States, have been granted orphan drug designation for ADXS-HPV for use in anal cancer in the United States, and intend to request a similar designation for these uses in the European Union, we may not be granted orphan drug designation, or even if granted, we may not receive the benefits associated with orphan drug designation. This may result from a failure to maintain orphan drug status, or result from a competing product reaching the market that has an orphan designation for the same disease indication. Under U.S. rules for orphan drugs, if such a competing product reaches the market before ours does, the competing product could potentially obtain a scope of market exclusivity that limits or precludes our product from being sold in the United States for seven years. Even if we obtain exclusivity, the FDA could subsequently approve the same drug for the same condition if the FDA concludes that the later drug is clinically superior in that it is shown to be safer, more effective or makes a major contribution to patient care. A competitor also may receive approval of different products for the same indication for which our orphan product has exclusivity, or obtain approval for the same product but for a different indication for which the orphan product has exclusivity.

In addition, if and when we request orphan drug designation in Europe, the European exclusivity period is ten years but can be reduced to six years if the drug no longer meets the criteria for orphan drug designation or if the drug is sufficiently profitable so that market exclusivity is no longer justified. Orphan drug exclusivity may be lost if the FDA or EMEA determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the drug to meet the needs of patients with the rare disease or condition.

We rely upon patents to protect our technology. We may be unable to protect our intellectual property rights and we may be liable for infringing the intellectual property rights of others.

Our ability to compete effectively will depend on our ability to maintain the proprietary nature of our technologies, including the *Lm*-LLO based immunotherapy platform technology, and the proprietary technology of others with whom we have entered into collaboration and licensing agreements.

We have 41 patents that have been issued and 35 patent applications that are pending. We have licensed all of these patents and 24 of the pending patent applications from Penn. We have obtained the rights to all future patent applications in this field originating in the laboratories of Dr. Yvonne Paterson and Dr. Fred Frankel. Further, we rely on a combination of trade secrets and nondisclosure, and other contractual agreements and technical measures to protect our rights in the technology. We depend upon confidentiality agreements with our officers, employees, consultants, and subcontractors to maintain the proprietary nature of the technology. These measures may not afford us sufficient or complete protection, and others may independently develop technology similar to ours, otherwise avoid the confidentiality agreements, or produce patents that would materially and adversely affect our business, prospects, financial condition, and results of operations. Such competitive events, technologies and patents may limit our ability to raise funds, prevent other companies from collaborating with us, and in certain cases prevent us from further developing our technology due to third party patent blocking rights.

Although we have successfully defended our intellectual property concerning our Listeria-based technology in challenges to our patents, there can be no guarantees that we will be successful in the future in similar challenges or that other patents or intellectual property in our portfolio will not be challenged. If we are not successful in defending

our intellectual property, it would have a material adverse effect on our business, financial condition and results of operations.

We are dependent upon our license agreement with Penn; if we fail to make payments due and owing to Penn under our license agreement, our business will be materially and adversely affected.

Pursuant to the terms of our Second and Third Amendment Agreements with Penn, as amended, we have acquired exclusive worldwide licenses for patents and patent applications related to our proprietary *Listeria* vaccine technology. The license provides us with the exclusive commercial rights to the patent portfolio developed at Penn as of the effective date of the license, in connection with Dr. Paterson and requires us to

We rely upon patents to protect our technology. We may be unable to protectour intellectual property rights and we

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pay various milestone, legal, filing and licensing payments to commercialize the technology. As of July 31, 2013, we owed Penn approximately $460,000 in patent expenses (including licensing fees). We can provide no assurance that we will be able to make all payments due and owing thereunder, that such licenses will not be terminated or expire during critical periods, that we will be able to obtain licenses from Penn for other rights that may be important to us, or, if obtained, that such licenses will be obtained on commercially reasonable terms. The loss of any current or future licenses from Penn or the exclusivity rights provided therein could materially harm our financial condition and operating results.

If we are unable to obtain licenses needed for the development of our product candidates, or if we breach any of the agreements under which we license rights to patents or other intellectual property from third parties, we could lose license rights that are important to our business.

If we are unable to maintain and/or obtain licenses needed for the development of our product candidates in the future, we may have to develop alternatives to avoid infringing on the patents of others, potentially causing increased costs and delays in drug development and introduction or precluding the development, manufacture, or sale of planned products. Some of our licenses provide for limited periods of exclusivity that require minimum license fees and payments and/or may be extended only with the consent of the licensor. We can provide no assurance that we will be able to meet these minimum license fees in the future or that these third parties will grant extensions on any or all such licenses. This same restriction may be contained in licenses obtained in the future.

Additionally, we can provide no assurance that the patents underlying any licenses will be valid and enforceable. To the extent any products developed by us are based on licensed technology, royalty payments on the licenses will reduce our gross profit from such product sales and may render the sales of such products uneconomical. In addition, the loss of any current or future licenses or the exclusivity rights provided therein could materially harm our business financial condition and our operations.

We have no manufacturing, sales, marketing or distribution capability and we must rely upon third parties for such.

We do not intend to create facilities to manufacture our products and therefore are dependent upon third parties to do so. We currently have agreements with Recipharm Cobra Biologics Limited and Vibalogics GmbH for production of our immunotherapies for research and development and testing purposes. We depend on our manufacturers to meet our deadlines, quality standards and specifications. Our reliance on third parties for the manufacture of our drug substance, investigational new drugs and, in the future, any approved products, creates a dependency that could severely disrupt our research and development, our clinical testing, and ultimately our sales and marketing efforts if the source of such supply proves to be unreliable or unavailable. If the contracted manufacturing source is unreliable or unavailable, we may not be able to manufacture clinical drug supplies of our immunotherapies, and our preclinical and clinical testing programs may not be able to move forward and our entire business plan could fail. If we are able to commercialize our products in the future, there is no assurance that our manufacturers will be able to meet commercialized scale production requirements in a timely manner or in accordance with applicable standards or current GMP. As of September 27, 2013, we have overdue balances with Vibalogics GmbH in the amount of approximately $185,000.

We are dependent upon our license agreement with Penn; if we fail to makepayments due and owing to Penn unde

If we are unable to establish or manage strategic collaborations in the future, our revenue and drug development may be limited.

Our strategy includes eventual substantial reliance upon strategic collaborations for marketing and commercialization of ADXS-HPV, and we may rely even more on strategic collaborations for research, development, marketing and commercialization of our other immunotherapies. To date, we have not entered into any strategic collaborations with third parties capable of providing these services although we have been heavily reliant upon third party outsourcing for our clinical trials execution and production of drug supplies for use in clinical trials. In addition, we have not yet licensed, marketed or sold any of our immunotherapies or entered into successful collaborations for these services in order to ultimately commercialize our immunotherapies. Establishing strategic collaborations is difficult and time-consuming. Our discussions with potential collaborators may not lead to the establishment of collaborations on favorable terms, if at all. For example, potential collaborators may reject collaborations based upon their assessment of our financial, clinical, regulatory or

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intellectual property position. If we successfully establish new collaborations, these relationships may never result in the successful development or commercialization of our immunotherapies or the generation of sales revenue. To the extent that we enter into co-promotion or other collaborative arrangements, our product revenues are likely to be lower than if we directly marketed and sold any products that we may develop.

Management of our relationships with our collaborators will require:

significant time and effort from our management team;
coordination of our research and development programs with the research and development priorities of our collaborators; and
effective allocation of our resources to multiple projects.

If we continue to enter into research and development collaborations at the early phases of drug development, our success will in part depend on the performance of our corporate collaborators. We will not directly control the amount or timing of resources devoted by our corporate collaborators to activities related to our immunotherapies. Our corporate collaborators may not commit sufficient resources to our research and development programs or the commercialization, marketing or distribution of our immunotherapies. If any corporate collaborator fails to commit sufficient resources, our preclinical or clinical development programs related to this collaboration could be delayed or terminated. Also, our collaborators may pursue existing or other development-stage products or alternative technologies in preference to those being developed in collaboration with us. Finally, if we fail to make required milestone or royalty payments to our collaborators or to observe other obligations in our agreements with them, our collaborators may have the right to terminate those agreements.

We may incur substantial liabilities from any product liability claims if our insurance coverage for those claims is inadequate.

We face an inherent risk of product liability exposure related to the testing of our immunotherapies in human clinical trials, and will face an even greater risk if the approved products are sold commercially. An individual may bring a liability claim against us if one of the immunotherapies causes, or merely appears to have caused, an injury. If we cannot successfully defend ourselves against the product liability claim, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

decreased demand for our immunotherapies;
damage to our reputation;
withdrawal of clinical trial participants;
costs of related litigation;
substantial monetary awards to patients or other claimants;
loss of revenues;
the inability to commercialize immunotherapies; and
increased difficulty in raising required additional funds in the private and public capital markets.

We have insurance coverage on our clinical trials for each clinical trial site. We do not have product liability insurance because we do not have products on the market. We currently are in the process of obtaining insurance coverage and to expand such coverage to include the sale of commercial products if marketing approval is obtained for any of our immunotherapies. However, insurance coverage is increasingly expensive and we may not be able to maintain insurance coverage at a reasonable cost and we may not be able to obtain insurance coverage that will be adequate to satisfy any liability that may arise.

We may incur significant costs complying with environmental laws and regulations.

We and our contracted third parties use hazardous materials, including chemicals and biological agents and compounds that could be dangerous to human health and safety or the environment. As appropriate, we store these materials and wastes resulting from their use at our or our outsourced laboratory facility pending

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their ultimate use or disposal. We contract with a third party to properly dispose of these materials and wastes. We are subject to a variety of federal, state and local laws and regulations governing the use, generation, manufacture, storage, handling and disposal of these materials and wastes. Compliance with such laws and regulations may be costly.

If we use biological materials in a manner that causes injury, we may be liable for damages.

Our research and development activities involve the use of biological and hazardous materials. Although we believe our safety procedures for handling and disposing of these materials complies with federal, state and local laws and regulations, we cannot entirely eliminate the risk of accidental injury or contamination from the use, storage, handling or disposal of these materials. We do not carry specific biological waste insurance coverage, workers compensation or property and casualty and general liability insurance policies that include coverage for damages and fines arising from biological exposure or contamination. Accordingly, in the event of contamination or injury, we could be held liable for damages or penalized with fines in an amount exceeding our resources, and our clinical trials or regulatory approvals could be suspended or terminated.

We need to attract and retain highly skilled personnel; we may be unable to effectively manage growth with our limited resources.

As of September 27, 2013, we had 14 employees, all of which were full time employees. Our ability to attract and retain highly skilled personnel is critical to our operations and expansion. We face competition for these types of personnel from other technology companies and more established organizations, many of which have significantly larger operations and greater financial, technical, human and other resources than we have. Even if we have the financial resources to expand our operations and staff following completion of this offering, we may not be successful in attracting and retaining qualified personnel on a timely basis, on competitive terms, or at all. If we are not successful in attracting and retaining these personnel, or integrating them into our operations our business, prospects, financial condition and results of operations will be materially adversely affected. In such circumstances we may be unable to conduct certain research and development programs, unable to adequately manage our clinical trials and other products, and unable to adequately address our management needs.

We depend upon our senior management and key consultants and their loss or unavailability could put us at a competitive disadvantage.

We depend upon the efforts and abilities of our senior executives, as well as the services of several key consultants, including Yvonne Paterson, Ph.D. The loss or unavailability of the services of any of these individuals for any significant period of time could have a material adverse effect on our business, prospects, financial condition and results of operations. We have not obtained, do not own, nor are we the beneficiary of, key-person life insurance. For a more detailed description of our consulting agreements, see Business Collaborations, Partnerships and Agreements beginning on page 70 of this prospectus.

The biotechnology and immunotherapy industries are characterized by rapid technological developments and a high degree of competition. We may be unable to compete with more substantial enterprises.

The biotechnology and biopharmaceutical industries are characterized by rapid technological developments and a high degree of competition. As a result, our actual or proposed immunotherapies could become obsolete before we recoup any portion of our related research and development and commercialization expenses. Competition in the biopharmaceutical industry is based significantly on scientific and technological factors. These factors include the availability of patent and other protection for technology and products, the ability to commercialize technological developments and the ability to obtain governmental approval for testing, manufacturing and marketing. We compete with specialized biopharmaceutical firms in the United States, Europe and elsewhere, as well as a growing number of large pharmaceutical companies that are applying biotechnology to their operations. Many biopharmaceutical companies have focused their development efforts in the human therapeutics area, including cancer. Many major pharmaceutical companies have developed or acquired internal biotechnology capabilities or made commercial arrangements with other biopharmaceutical companies. These companies, as well as academic institutions and governmental agencies and private research organizations, also compete with us in recruiting and retaining highly qualified scientific

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personnel and consultants. Our ability to compete successfully with other companies in the pharmaceutical field will also depend to a considerable degree on the continuing availability of capital to us.

We are aware of certain investigational new drugs under development or approved products by competitors that are used for the prevention, diagnosis, or treatment of certain diseases we have targeted for drug development. Various companies are developing biopharmaceutical products that have the potential to directly compete with our immunotherapies even though their approach to may be different. The biotechnology and biopharmaceutical industries are highly competitive, and this competition comes from both biotechnology firms and from major pharmaceutical companies, including companies like: Aduro Biotech, Agenus Inc., Bionovo Inc., Bristol-Myers Squibb, Celgene Corporation, Celldex Therapeutics, Cerus Corporation, Dendreon Corporation, Inovio Pharmaceutical Inc., Oncolytics Biotech Inc., Oncothyreon Inc., each of which is pursuing cancer vaccines and/or immunotherapies. Many of these companies have substantially greater financial, marketing, and human resources than we do (including, in some cases, substantially greater experience in clinical testing, manufacturing, and marketing of pharmaceutical products). We also experience competition in the development of our immunotherapies from universities and other research institutions and compete with others in acquiring technology from such universities and institutions. In addition, certain of our immunotherapies may be subject to competition from investigational new drugs and/or products developed using other technologies, some of which have completed numerous clinical trials.

We believe that our immunotherapies under development and in clinical trials will address unmet medical needs in the treatment of cancer. Our competition will be determined in part by the potential indications for which drugs are developed and ultimately approved by regulatory authorities. Additionally, the timing of market introduction of some of our potential products or of competitors products may be an important competitive factor. Accordingly, the relative speed with which we can develop immunotherapies, complete preclinical testing, clinical trials and approval processes and supply commercial quantities to market is expected to be important competitive factors. We expect that competition among products approved for sale will be based on various factors, including product efficacy, safety, reliability, availability, price and patent position.

Risks Related to our Securities and this Offering

The price of our common stock and warrants may be volatile.

The trading price of our common stock and warrants may fluctuate substantially. The price of our common stock and warrants that will prevail in the market after this offering may be higher or lower than the price you have paid, depending on many factors, some of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose part or all of your investment in our common stock and warrants. Those factors that could cause fluctuations include, but are not limited to, the following:

price and volume fluctuations in the overall stock market from time to time;
fluctuations in stock market prices and trading volumes of similar companies;
actual or anticipated changes in our net loss or fluctuations in our operating results or in the expectations of securities analysts;
the issuance of new equity securities pursuant to a future offering, including issuances of preferred stock;
general economic conditions and trends;
positive and negative events relating to healthcare and the overall pharmaceutical and biotech sector;
major catastrophic events;
sales of large blocks of our stock;
significant dilution caused by the anti-dilutive clauses in our financial agreements;

departures of key personnel;
changes in the regulatory status of our immunotherapies, including results of our clinical trials;

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events affecting Penn or any future collaborators;
announcements of new products or technologies, commercial relationships or other events by us or our competitors;
regulatory developments in the United States and other countries;
failure of our common stock or warrants to be listed or quoted on The NASDAQ Stock Market, NYSE Amex Equities or other national market system;
changes in accounting principles; and
discussion of us or our stock price by the financial and scientific press and in online investor communities.

In the past, following periods of volatility in the market price of a company s securities, securities class action litigation has often been brought against that company. Due to the potential volatility of our stock price, we may therefore be the target of securities litigation in the future. Securities litigation could result in substantial costs and divert management s attention and resources from our business.

You may have difficulty selling our shares because they may be deemed penny stocks.

If our common stock price falls, our common stock may be deemed to be penny stock as that term is defined in Rule 3a51-1, promulgated under the Exchange Act. Penny stocks are, generally, stocks:

with a price of less than $5.00 per share;
that are neither traded on a recognized national exchange nor listed on an automated quotation system sponsored by a registered national securities association meeting certain minimum initial listing standards; and
of issuers with net tangible assets less than $2.0 million (if the issuer has been in continuous operation for at least three years) or $5.0 million (if in continuous operation for less than three years), or with average revenue of less than $6.0 million for the last three years.

Section 15(g) of the Exchange Act and Rule 15g-2 promulgated thereunder require broker-dealers dealing in penny stocks to provide potential investors with a document disclosing the risks of penny stocks and to obtain a manually signed and dated written receipt of the document before effecting any transaction in a penny stock for the investor s account. We urge potential investors to obtain and read this disclosure carefully before purchasing any shares that are deemed to be penny stock.

Rule 15g-9 promulgated under the Exchange Act requires broker-dealers in penny stocks to approve the account of any investor for transactions in such stocks before selling any penny stock to that investor. This procedure requires the broker-dealer to:

obtain from the investor information about his or her financial situation, investment experience and investment objectives;
reasonably determine, based on that information, that transactions in penny stocks are suitable for the investor and that the investor has enough knowledge and experience to be able to evaluate the risks of penny stock transactions;
provide the investor with a written statement setting forth the basis on which the broker-dealer made his or her determination; and
receive a signed and dated copy of the statement from the investor, confirming that it accurately reflects the investor s financial situation, investment experience and investment objectives.

Compliance with these requirements may make it harder for investors in our common stock to resell their shares to third parties. Accordingly, our common stock should only be purchased by investors, who understand that such investment is a long-term and illiquid investment, and are capable of and prepared to bear the risk of holding our common stock for an indefinite period of time.

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Although one reason we asked our stockholders to approve a reverse stock split was to increase the price per share of our common stock such that it would not be subject to the penny stock rules, and our stock closed at $6.60 per share on September 25, 2013, no assurance can be given that the per share price of our common stock will maintain such levels such that our stock will not be subject to these rules in the future.

A DTC Chill on the electronic clearing of trades in our securities in the future may affect the liquidity of our stock and our ability to raise capital.

Because our common stock may, from time to time, be considered a penny stock, there is a risk that the Depository Trust Company (DTC) may place a chill on the electronic clearing of trades in our securities. This may lead some brokerage firms to be unwilling to accept certificates and/or electronic deposits of our stock and other securities and also some may not accept trades in our securities altogether. In the past, DTC has placed a deposit chill on our shares, and although the chill is currently removed, no assurance can be given that a chill will not be reinstated in the future. A future DTC chill would affect the liquidity of our securities and make it difficult to purchase or sell our securities in the open market. It may also have an adverse effect on our ability to raise capital because investors may be unable to easily resell our securities into the market. Our inability to raise capital on terms acceptable to us, if at all, could have a material and adverse effect on our business and operations.

A limited public trading market may cause volatility in the price of our common stock and warrants.

The quotation of our common stock on the OTCQB does not assure that a meaningful, consistent and liquid trading market currently exists, and in recent years such market has experienced extreme price and volume fluctuations that have particularly affected the market prices of many smaller companies like us. Our common stock is thus subject to this volatility. Sales of substantial amounts of common stock, or the perception that such sales might occur, could adversely affect prevailing market prices of our common stock and our stock price may decline substantially in a short time and our stockholders could suffer losses or be unable to liquidate their holdings. Also there are large blocks of restricted stock that have met the holding requirements under Rule 144 that may be sold without restriction. Our stock is thinly traded due to the limited number of shares available for trading on the market thus causing large swings in price. In addition, there is no established trading market for the warrants being offered in this offering. Although, we applied for listing of our common stock and warrants on The NASDAQ Stock Market, no assurance can be given that our application will be approved, or that, if the application is approved, the price of our common stock will be less volatile, or that the price of the warrants will not be volatile.

There is no assurance of an established public trading market.

Our common stock began trading on the over-the-counter-markets on July 28, 2005 and is quoted under the symbol ADXS. The OTCQB Marketplace, where our common stock currently is quoted, is an inter-dealer, over-the-counter market that provides significantly less liquidity than The NASDAQ Stock Market. Quotes for stocks included on the OTCQB Marketplace are not listed in the financial sections of newspapers. As such, investors and potential investors may find it difficult to obtain accurate stock price quotations, and holders of our common stock and warrants may be unable to resell their securities at or near their original offering price or at any price. Market prices for our common stock and warrants will be influenced by a number of factors, including:

the issuance of new equity securities pursuant to a future offering, including issuances of preferred stock;
changes in interest rates;

significant dilution caused by the anti-dilutive clauses in our financial agreements;
competitive developments, including announcements by competitors of new products or services or significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
variations in quarterly operating results;
change in financial estimates by securities analysts;
the depth and liquidity of the market for our common stock and warrants;

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investor perceptions of our company and the technologies industries generally; and
general economic and other national conditions.

Although, we have applied for listing of our common stock and warrants on The NASDAQ Stock Market, no assurance can be given that our application will be approved.

We may not be able to achieve secondary trading of our stock in certain states because our common stock is not nationally traded.

Because our common stock is not listed for trading on a national securities exchange, our common stock is subject to the securities laws of the various states and jurisdictions of the United States in addition to federal securities law. This regulation covers any primary offering we might attempt and all secondary trading by our stockholders. If we fail to take appropriate steps to register our common stock or qualify for exemptions for our common stock in certain states or jurisdictions of the United States, the investors in those jurisdictions where we have not taken such steps may not be allowed to purchase our stock or those who presently hold our stock may not be able to resell their shares without substantial effort and expense. These restrictions and potential costs could be significant burdens on our stockholders.

Although, we intend to apply for listing of our common stock and warrants on The NASDAQ Stock Market, no assurance can be given that our application will be approved.

Speculative nature of warrants.

The warrants do not confer any rights of common stock ownership on their holders, such as voting rights or the right to receive dividends, but rather merely represent the right to acquire shares of common stock at a fixed price for a limited period of time. Specifically, commencing on the date of issuance, holders of the warrants may exercise their right to acquire the common stock and pay an exercise price of $ per share [125%] of public offering price of the common stock], prior to five years from the date of issuance, after which date any unexercised warrants will expire and have no further value. Moreover, following this offering, the market value of the warrants is uncertain and there can be no assurance that the market value of the warrants will equal or exceed their public offering price. There can be no assurance that the market price of the common stock will ever equal or exceed the exercise price of the warrants, and consequently, whether it will ever be profitable for holders of the warrants to exercise the warrants.

If we fail to remain current with our reporting requirements, we could be removed from the over-the-counter markets, which would limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market. In addition, it would be an event of default under certain of our outstanding notes.

Companies trading on the OTCQB Marketplace, such as our company, must be reporting issuers under Section 12 of the Exchange Act, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges. For our third quarter 2012, we were unable to file our respective quarterly report on Form 10-Q in a timely manner, but we were able to make the filings and cure our compliance deficiencies within the grace period allowed by the OTCQB Marketplace. If we fail to remain current on our reporting requirements, we could be removed from the over-the-counter markets. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market. In addition, the terms of certain of our oustanding debt instruments require that we remain current in our reporting obligations. If we were to fail to remain current, it could be an event of default under certain of our oustanding notes, which could have a material adverse effect on our company.

Our internal control over financial reporting and our disclosure controls and procedures have been ineffective in the past, and may be ineffective again in the future, and failure to improve them at such time could lead to errors in our financial statements that could require a restatement or untimely filings, which could cause investors to lose confidence in our reported financial information, and a decline in our stock price.

Our internal control over financial reporting and our disclosure controls and procedures have been ineffective in the past. We have taken steps to improve our disclosure controls and procedures and our internal control over financial reporting, and as of October 31, 2012, our chief executive officer and chief financial

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officer concluded that our disclosure controls and procedures and internal control over financial reporting were effective. However, there is no assurance that our disclosure controls and procedures will remain effective or that there will be no material weaknesses in our internal control over financial reporting in the future. Additionally, as a result of the historical material weaknesses in our internal control over financial reporting and the historical ineffectiveness of our disclosure controls and procedures, current and potential stockholders could lose confidence in our financial reporting, which would harm our business and the trading price of our stock.

Sales of additional equity securities may adversely affect the market price of our common stock and your rights may be reduced.

We expect to continue to incur drug development and selling, general and administrative costs, and to satisfy our funding requirements, we will need to sell additional equity securities, which may be subject to registration rights and warrants with anti-dilutive protective provisions. The sale or the proposed sale of substantial amounts of our common stock or other equity securities in the public markets may adversely affect the market price of our common stock and our stock price may decline substantially. Our stockholders may experience substantial dilution and a reduction in the price that they are able to obtain upon sale of their shares. Also, new equity securities issued may have greater rights, preferences or privileges than our existing common stock.

Additional authorized shares of common stock available for issuance may adversely affect the market price of our securities.

We are currently authorized to issue 25,000,000 shares of our common stock. As of September 27, 2013, we had 5,534,596 shares of our common stock issued and outstanding, excluding shares issuable upon exercise of our outstanding warrants, options, convertible promissory notes and shares of common stock earned but not yet issued under our director compensation program. Under our 2011 Employee Stock Purchase Plan, or ESPP, our employees can buy our common stock at a discounted price. To the extent the shares of common stock are issued, options and warrants are exercised or convertible promissory notes are converted, holders of our common stock will experience dilution. In addition, in the event of any future financing of equity securities or securities convertible into or exchangeable for, common stock, holders of our common stock may experience dilution. As of September 27, 2013, warrants to purchase 123,804 shares of our common stock are exercisable at approximately $15.11 per share and are subject to weighted-average anti-dilution protection upon certain equity issuances below $15.11 per share (as may be further adjusted as defined in the warrant). In addition, as of September 27, 2013, we had outstanding options to purchase 467,923 shares of our common stock at a weighted average exercise price of approximately $17.50 per share and outstanding warrants to purchase 747,829 shares of our common stock (including the above warrants subject to weighted-average anti-dilution protection); and approximately 35,632 shares of our common stock are available for grant under the ESPP. Although we entered into agreements providing for the repayment or conversion of certain of our outstanding indebtedness, not all the holders of our outstanding convertible promissory notes have agreed to exchange their securities at this time. As of the date hereof, after taking into account such agreements and the planned use of proceeds, we will have approximately $1,628,000 outstanding aggregate principal amount of convertible promissory notes with variable conversion prices, which would be convertible into approximately 737,422 shares of our common stock based on the current conversion price under such notes. However, because such notes have variable conversion rates, the amount of shares issuable could increase or decrease.

The accounting treatment for our convertible securities and certain of our warrants is complex and subject to judgments concerning the valuation of embedded derivative rights within the applicable securities. Fluctuations in

the valuation of these rights could cause us to take charges to our earnings and make our financial results unpredictable.

Our outstanding convertible promissory notes and certain of our outstanding warrants contain, or may be deemed to contain from time to time, embedded derivative rights in accordance with U.S. generally accepted accounting principles, or GAAP. These derivative rights, or similar rights in securities we may issue in the future, need to be, or may need to be, separately valued as of the end of each accounting period in accordance with GAAP. We record these embedded derivatives as liabilities at issuance, valued using the Black-Scholes

The accounting treatment for our convertible securities and certain of ourwarrants is complex and subject to judgme

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Model and a subject to revaluation at each reporting date. Any change in fair value between reporting periods is reported on our statement of operations. At July 31, 2013, and October 31, 2012, the fair value of the embedded derivative liability was $0 as the related securities were paid off, converted or reached maturity. For the nine months ended July 31, 2013 and 2012, we reported loss of approximately $0 in each period due to changes in the fair value of the embedded derivative liability partially resulting from debt to equity exchanges during the period. For the twelve months ended October 31, 2012 and October 31, 2011, we reported income of approximately $400,000 and approximately $1.9 million, respectively, due to changes in the fair value of the embedded derivative liability partially resulting from debt to equity exchanges during the period. Changes in the valuations of these rights, the valuation methodology or the assumptions on which the valuations are based could cause us to take charges to our earnings, which would adversely impact our results of operations. Moreover, the methodologies, assumptions and related interpretations of accounting or regulatory authorities associated with these embedded derivatives are complex and in some cases uncertain, which could cause our accounting for these derivatives, and as a result, our financial results, to fluctuate. There is a risk that questions could arise from investors or regulatory authorities concerning the appropriate accounting treatment of these instruments, which could require us to restate previous financial statements, which in turn could adversely affect our reputation, as well as our results of operations.

We do not intend to pay cash dividends.

We have not declared or paid any cash dividends on our common stock, and we do not anticipate declaring or paying cash dividends for the foreseeable future. Any future determination as to the payment of cash dividends on our common stock will be at our board of directors discretion and will depend on our financial condition, operating results, capital requirements and other factors that our board of directors considers to be relevant. In addition, the terms of our Series B Preferred Stock prohibit the payment of dividends on our common stock for so long as any shares of our Series B Preferred Stock are outstanding.

If we sell shares of our common stock under our committed equity line financing facility, our existing stockholders will experience immediate dilution and, as a result, our stock price may go down.

On October 19, 2012, we entered into a committed equity line financing facility, or financing arrangement, under which we may sell up to $10.0 million of our common stock to Hanover over a 24-month period subject to a maximum of 920,000 shares of our common stock. In connection with such financing arrangement, we issued 28,000 shares of common stock to Hanover upon receipt of their commitment to purchase our common stock in the financing arrangement and we agreed to pay up to 14,400 additional shares of our common stock to Hanover to maintain such financing arrangement for the 24-month term, which together with the other 877,600 shares of our common stock, represents approximately 18% of our outstanding shares of our common stock as of September 27, 2013. The issuance of such shares of our common stock to Hanover will have an immediately dilutive impact on our existing stockholders.

Hanover may resell some or all of the shares we issue to them pursuant to the financing arrangement and such sales could cause the market price of our common stock to decline significantly with advances under the financing arrangement. To the extent of any such decline, any subsequent advances would require us to issue a greater number of shares of common stock to Hanover in exchange for each dollar of the advance. Under these circumstances, our existing stockholders would experience greater dilution and the total amount of financing that we will be able to raise pursuant to the financing arrangement could be significantly lower than $10.0 million. Although Hanover is precluded from short sales of shares acquired pursuant to advances under the financing arrangement, the sale of our common stock under the financing arrangement could encourage short sales by third parties, which could contribute to the

further decline of our stock price.

If we are not able to satisfy the conditions to each draw down under the committed equity line financing facility, we will not be able to sell our common stock pursuant to the committed equity line financing facility.

Our ability to sell securities pursuant to the committed equity line financing facility is subject to conditions to each draw down notice that we present to Hanover requiring Hanover to purchase a specified number of shares of our common stock, which we refer to in this prospectus as a draw down, that must be satisfied prior to the closing of any sale of our common stock pursuant to such draw down. These include, among others:

If we sell shares of our common stock under our committed equity linefinancing facility, our existing stockholders wi

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accuracy in all material respects of our representations and warranties (except for such representations and warranties qualified by materiality, which shall be accurate in all respects) and our compliance with covenants in all material respects (including, without limitation, our prior delivery to Hanover of any commitment fee shares or maintenance fee shares to be issued to Hanover pursuant to the Purchase Agreement);

a resale registration statement with respect to shares of our common stock to be purchased by Hanover in such draw down must have been declared effective by the SEC and must be available for resale of such shares of our common stock by Hanover;

no material adverse effect on us shall have occurred or be continuing;

all the material filings by us required under the Securities Exchange Act of 1934, as amended, or the Exchange Act, shall have been filed with the SEC; and

the number of shares of our common stock in such draw down shall not exceed:

- 300% of the average trading volume of our common stock during the 10 trading day period prior to such draw down date;
- together with the shares of our common stock in all prior draw downs, $10 million of the shares of our common stock; or
- such number of shares of our common stock that would result in Hanover beneficially owning more than 9.99% of our common stock after giving effect to such draw down.

We may not be able to satisfy these conditions and/or the other conditions to a draw down under the committed equity line financing facility. If we are unable to satisfy such conditions, we will not be able to sell any of our common stock pursuant to the committed equity line financing facility.

Our certificate of incorporation, Bylaws and Delaware law have anti-takeover provisions that could discourage, delay or prevent a change in control, which may cause our stock price to decline.

Our certificate of incorporation, Bylaws and Delaware law contain provisions which could make it more difficult for a third party to acquire us, even if closing such a transaction would be beneficial to our stockholders. We are authorized to issue up to 5,000,000 shares of preferred stock. This preferred stock may be issued in one or more series, the terms of which may be determined at the time of issuance by our Board of Directors without further action by stockholders. The terms of any series of preferred stock may include voting rights (including the right to vote as a series on particular matters), preferences as to dividend, liquidation, conversion and redemption rights and sinking fund provisions. Our Board of Directors has designated 1,000 shares as Series A, none of which are outstanding, and 2,500 shares as Series B, 740 shares of which are currently outstanding. The issuance of any preferred stock could materially adversely affect the rights of the holders of our common stock, and therefore, reduce the value of our common stock. In particular, specific rights granted to future holders of preferred stock could be used to restrict our ability to merge with, or sell our assets to, a third party and thereby preserve control by the present management.

Provisions of our certificate of incorporation, Bylaws and Delaware law also could have the effect of discouraging potential acquisition proposals or making a tender offer or delaying or preventing a change in control, including changes a stockholder might consider favorable. Such provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. In particular, the certificate of incorporation, Bylaws and Delaware law, as applicable, among other things; provide the Board of Directors with the ability to alter the Bylaws without stockholder approval, and provide that vacancies on the Board of Directors may be filled by a majority of directors in office, although less than a quorum.

We are also subject to Section 203 of the Delaware General Corporation Law, which, subject to certain exceptions, prohibits business combinations between a publicly-held Delaware corporation and an interested stockholder, which is

generally defined as a stockholder who becomes a beneficial owner of 15% or more of a Delaware corporation s voting stock for a three-year period following the date that such stockholder became an interested stockholder.

Our certificate of incorporation, Bylaws and Delaware law have anti-takeoverprovisions that could discourage, delay

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These provisions are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of our company to first negotiate with its board. These provisions may delay or prevent someone from acquiring or merging with us, which may cause the market price of our common stock to decline.

Our management will have broad discretion over the use of the net proceeds from this offering and we may use the net proceeds in ways with which you disagree or which do not produce beneficial results.

We currently intend to use the net proceeds from this offering to fund our research and development activities and for working capital and general corporate purposes and repayment of certain debt (see Use of Proceeds). Other than as specified under Use of Proceeds, we have not allocated specific amounts of the net proceeds from this offering for any of the foregoing purposes. Accordingly, our management will have significant discretion and flexibility in applying the net proceeds of this offering. You will be relying on the judgment of our management with regard to the use of these net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. It is possible that the net proceeds will be invested in a way that does not yield a favorable, or any, return for us or our stockholders. The failure of our management to use such funds effectively could have a material adverse effect on our business, financial condition, and results of operation.

You will experience immediate and substantial dilution as a result of this offering and may experience additional dilution in the future as we do further financings and transactions.

You will incur immediate and substantial dilution as a result of this offering. After giving effect to the sale by us of up to shares of common stock and warrants to purchase up to an aggregate of shares of common stock offered in this offering at a public offering price of $ per share and $ per warrant, and after deducting the underwriter s discount and estimated offering expenses payable by us, investors in this offering can expect an immediate dilution of $ per share. In addition, in the past, we issued options and warrants to acquire shares of common stock and issued notes convertible into shares of our common stock. To the extent these options or warrants are ultimately exercised or notes converted, you will sustain further future dilution.

Risks Related to Our Reverse Stock Split

On July 12, 2013, we effected a 1-for-125 reverse stock split of our outstanding common stock prior to this offering. However, the reverse stock split may not increase our stock price sufficiently and we may not be able to list our common stock and warrants on The NASDAQ Capital Market, in which case this offering may not be completed.

We expect that the reverse stock split of our outstanding common stock will increase the market price of our common stock so that we will be able to meet the minimum bid price requirement of the Listing Rules of The NASDAQ Capital Market. However, the effect of a reverse stock split upon the market price of our common stock cannot be predicted with certainty, and the results of reverse stock splits by companies in similar circumstances have been varied. It is possible that the market price of our common stock following the reverse stock split will not increase

sufficiently for us to be in compliance with the minimum bid price requirement, or if it does, that such price will be sustained. If we are unable meet the minimum bid price requirement, we may be unable to list our shares and warrants on The NASDAQ Capital Market, in which case this offering may not be completed.

Even if the reverse stock split achieves the requisite increase in the market price of our common stock, we cannot assure you that we will be able to continue to comply with the minimum bid price requirement of The NASDAQ Capital Market.

Even if the reverse stock split achieves the requisite increase in the market price of our common stock to be in compliance with the minimum bid price of The NASDAQ Capital Market, there can be no assurance that the market price of our common stock following the reverse stock split will remain at the level required for continuing compliance with that requirement. It is not uncommon for the market price of a company's common stock to decline in the period following a reverse stock split. If the market price of our common stock declines following the effectuation of a reverse stock split, the percentage decline may be greater than

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would occur in the absence of a reverse stock split. In any event, other factors unrelated to the number of shares of our common stock outstanding, such as negative financial or operational results, could adversely affect the market price of our common stock and jeopardize our ability to meet or maintain The NASDAQ Capital Market's minimum bid price requirement. In addition to specific listing and maintenance standards, The NASDAQ Capital Market has broad discretionary authority over the initial and continued listing of securities, which it could exercise with respect to the listing of our common stock.

Even if the reverse stock split increases the market price of our common stock, there can be no assurance that we will be able to comply with other continued listing standards of The NASDAQ Capital Market.

Even if the market price of our common stock increases sufficiently so that we comply with the minimum bid price requirement, we cannot assure you that we will be able to comply with the other standards that we are required to meet in order to maintain a listing of our common stock on The NASDAQ Capital Market. Our failure to meet these requirements may result in our common stock being delisted from The NASDAQ Capital Market, irrespective of our compliance with the minimum bid price requirement.

The reverse stock split may decrease the liquidity of the shares of our common stock.

The liquidity of the shares of our common stock may be affected adversely by the reverse stock split given the reduced number of shares that will be outstanding following the reverse stock split, especially if the market price of our common stock does not increase as a result of the reverse stock split. In addition, the reverse stock split may increase the number of stockholders who own odd lots (less than 100 shares) of our common stock, creating the potential for such stockholders to experience an increase in the cost of selling their shares and greater difficulty effecting such sales.

Following the reverse stock split, the resulting market price of our common stock may not attract new investors, including institutional investors, and may not satisfy the investing requirements of those investors. Consequently, the trading liquidity of our common stock may not improve.

Although we believe that a higher market price of our common stock may help generate greater or broader investor interest, there can be no assurance that the reverse stock split will result in a share price that will attract new investors, including institutional investors. In addition, there can be no assurance that the market price of our common stock will satisfy the investing requirements of those investors. As a result, the trading liquidity of our common stock may not necessarily improve.

Even if the reverse stock split achieves the requisite increase in the marketprice of our common stock, we cannot a

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development and/or otherwise are not statements of historical fact. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements.

In some cases, you can identify forward-looking statements by terminology, such as expects, anticipates, intends, estimates, plans, believes, seeks, may, should, could, continue, project or the negative of such term expressions. Accordingly, these statements involve estimates, assumptions and uncertainties that could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this prospectus.

You should read this prospectus and the documents that we reference herein and therein and have filed as exhibits to the registration statement, of which this prospectus is part, completely and with the understanding that our actual future results may be materially different from what we expect. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Because the risk factors referred to above could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any forward-looking statements. These risks and uncertainties, along with others, are described above under the heading Risk Factors. Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the information presented in this prospectus, and particularly our forward-looking statements, by these cautionary statements.

This prospectus also includes industry data that we obtained from industry publications and surveys and internal company sources. The industry publications and industry data contained in this prospectus have been obtained from sources believed to be reliable.

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USE OF PROCEEDS

We estimate that our net proceeds from the sale of the common stock and warrants offered pursuant to this prospectus will be approximately $18.0 million, or approximately $20.8 million if the underwriters exercise in full their option to purchase additional shares of common stock and additional warrants, assuming a public offering price of $6.60 per share of common stock, which is based on the closing price of the our common stock on September 25, 2013, and an assumed public offering price of $0.01 per warrant, and after deducting the underwriting discount and the estimated offering expenses that are payable by us.

We currently intend use the net proceeds from this offering to fund our research and development activities and for working capital and general corporate purposes. We also intend to use $100,000 of the proceeds to make a required payment under the terms of our sublease as modified (see Business Description of Property), use approximately $185,000 for payment under the terms of a settlement agreement with Vibalogics GmbH for overdue balances (see Business Collaborations, Partnerships and Agreements Vibalogics GmbH), use $150,000 for payments due under the terms of a settlement agreement with a former advisor, and use $100,000 as partial payment of our outstanding obligations to our Director, Mr. Moore, under the Moore Notes (as defined elsewhere in this prospectus).

In addition, we intend to use approximately $62,000 of the proceeds from this offering to pay overdue debt that matured in 2011 and includes an original issue discount of 10%, and approximately $433,000 to repay convertible promissory notes issued in May and July 2013, which each bear interest at a rate of 8% per annum and mature February and April 2014, respectively. We used the proceeds from these notes for working capital.

Other than described above, we have not yet determined the amount of the remaining net proceeds to be used specifically for any purposes. Accordingly, our management will have significant discretion and flexibility in applying the majority of the net proceeds from this offering. Pending any use as described above, we intend to invest the net proceeds in high-quality, short-term, interest-bearing securities.

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PRICE RANGE OF COMMON STOCK

Our common stock has been quoted on the OTC Bulletin Board under the symbol ADXS.OB since July 28, 2005. Currently, our common stock is also traded on the OTCQB Market place, a new market for OTC-traded companies that are registered and current in their reporting obligations to the SEC or a U.S. banking or insurance regulator. The following table shows the reported high and low closing bid quotations per share for our common stock based on information provided by the OTCQB Marketplace. Such over-the-counter market quotations reflect inter-dealer prices, without markup, markdown or commissions and, particularly because our common stock is traded infrequently, may not necessarily represent actual transactions or a liquid trading market. These prices reflect the 1-for-125 reverse stock split effected on July 12, 2013 as well as rounding. Prior to this offering, there was no trading market for the warrants.

Fiscal 2013	High	Low
Fourth Quarter (August 1, 2013 through September 25, 2013)	$ 7.96	$ 2.70
Third Quarter (May 1, 2013 July 31, 2013)	$ 7.50	$ 3.18
Second Quarter (February 1, 2013 April 30, 2013)	$ 17.50	$ 8.75
First Quarter (November 1, 2012 January 31, 2013)	$ 8.75	$ 3.75

Fiscal 2012	High	Low
Fourth Quarter (August 1, 2012 October 31, 2012)	$ 10.00	$ 5.00
Third Quarter (May 1, 2012 July 31, 2012)	$ 17.50	$ 8.75
Second Quarter (February 7, 2012 April 30, 2012)	$ 18.75	$ 13.75
First Quarter (November 1, 2011 January 31, 2012)	$ 22.50	$ 18.75

Fiscal 2011	High	Low
Fourth Quarter (August 1, 2011 October 31, 2011)	$ 20.00	$ 16.25
Third Quarter (May 1, 2011 July 31, 2011)	$ 30.00	$ 17.50
Second Quarter (February 7, 2011 April 30, 2011)	$ 26.25	$ 15.00
First Quarter (November 1, 2010 January 31, 2011)	$ 20.00	$ 15.00

The closing price of our common stock on the OTCQB Marketplace on September 25, 2013 was $6.60 per share. As of September 25, 2013, we had 95 stockholders of record of our common stock. An application has been made to list the common stock and the warrants on The NASDAQ Capital Market under the symbols ADXS and ADXSW, respectively.

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DIVIDEND POLICY

We have not declared or paid any cash dividends on our common stock, and we do not anticipate declaring or paying cash dividends for the foreseeable future. We are not subject to any legal restrictions respecting the payment of dividends, except that we may not pay dividends if the payment would render us insolvent. In addition, the terms of certain of our outstanding convertible notes restrict our ability to pay dividends. Any future determination as to the payment of cash dividends on our common stock will be at our board of directors discretion and will depend on our financial condition, operating results, capital requirements and other factors that our board of directors considers to be relevant.

The terms of our Series B Preferred Stock prohibit the payment of dividends on our common stock for so long as any shares of our Series B Preferred Stock are outstanding. On September 26, 2013, we redeemed all the outstanding shares of our Series B Preferred Stock.

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DILUTION

If you invest in our securities, your interest will be immediately and substantially diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma net tangible book value per share of our common stock after giving effect to this offering.

Our net tangible book value per share as of July 31, 2013 was $(9,266,609) or $(1.88) per share of common stock. Our pro forma net tangible book value per share as of July 31, 2013 was $(10,637,143), or $(1.93) per share of common stock after giving effect to: (i) the issuance of common stock, convertible notes and warrants from August 1, 2013 through and immediately prior to the date of this offering, (ii) the conversion of $899,722 in aggregate principal amount of convertible promissory notes, together with all interest accrued and unpaid thereon through the date of conversion into 407,478 shares of our common stock, (iii) the redemption of our outstanding shares of Series B Preferred Stock and cancellation of an underlying receivable; and (iv) a one-time charge to earnings of $247,250] that will occur immediately upon the completion of this offering for employee bonuses that are payable upon the closing of this offering, 50% of which will be paid in restricted stock units.

After giving effect to (i) the sale of the 3,030,303 shares and warrants to acquire 1,515,152 shares in this offering at the assumed public offering price of $6.60 per share (the closing price on September 25, 2013) and $.01 per warrant, (ii) the conversion of approximately $162,659 in aggregate principal amount of promissory notes, together with all interest accrued and unpaid thereon through the date of conversion into 24,645 shares of our common stock and warrants to acquire 12,323 shares of our common stock with the same terms as the warrants offered in this offering upon completion of this offering at the assumed public offering price of $6.60 per share (the closing price on September 25, 2013) and $0.01 per warrant, (iii) the repayment of approximately $596,000 in other notes payable and accrued interest from the net proceeds received in this offering and repayment of contractual obligations of approximately $435,000 and (iv) after deducting underwriting discounts and commissions and other estimated offering expenses payable by us, our pro forma as adjusted net tangible book value at July 31, 2013 would have been approximately $10,012,917, or $1.04 per share. This represents an immediate increase in pro forma net tangible book value of approximately $2.92 per share to our existing stockholders, and an immediate dilution of $6 per share to investors purchasing securities in the offering.

Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by purchasers of our common stock in this offering and the pro forma net tangible book value per share of our common stock immediately after this offering.

The following table illustrates the per share dilution to investors purchasing shares in the offering:

Assumed public offering price per share		$6.60
Net tangible book value per share as of July 31, 2013	$(1.88)	
Increase in net tangible book value per share attributable to this offering	$2.92	
Pro forma as adjusted net tangible book value per share after this offering		$1.04
Amount of dilution in net tangible book value per share to new investors in this offering		$5.56

The information above assumes that the underwriters do not exercise their over-allotment option. If the underwriters exercise their over-allotment option in full, the pro forma as adjusted net tangible book value will increase to $1.32 per share, representing an immediate increase to existing stockholders of $3.20 per share and an immediate dilution of $5.28 per share to new investors. If any shares are issued upon exercise of outstanding options, warrants, or

convertible notes, new investors will experience further dilution.

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CAPITALIZATION

The following table sets forth our capitalization, as of July 31, 2013:

- on an actual basis;
- on a pro forma basis to give effect to (i) the issuance of common stock, convertible notes and warrants from August 1, 2013 through and immediately prior to the date of this offering, (ii) the conversion of $899,722 in aggregate principal amount of convertible promissory notes, together with all interest accrued and unpaid thereon through the date of conversion, into 407,478 shares of our common stock, (iii) the redemption of our outstanding shares of Series B Preferred Stock and cancellation of an underlying receivable; and (iv) a one-time charge to earnings of $247,250 that will occur immediately upon the completion of this offering for employee bonuses that are payable upon the closing of this offering, 50% of which will be paid in restricted stock units; and
- on a pro forma as adjusted basis to give effect to the events described above and (i) the sale of the securities in this offering at the assumed public offering price of $6.60 per share (the closing price on September 25, 2013) and $.01 per warrant, (ii) the conversion of approximately $162,659 in aggregate principal amount of promissory notes, together with all interest accrued and unpaid thereon through the date of conversion into 12,323 shares of our common stock and warrants to acquire 24,645 shares of our common stock with the same terms as the warrants offered in this offering upon completion of this offering at the assumed public offering price of $6.60 per share (the closing price on September 25, 2013) and $0.01 per warrant, (iii) the repayment of approximately $596,000 in other notes payable and accrued interest from the net proceeds received in this offering and repayment of contractual obligations of approximately $435,000 and after deducting underwriting discounts and commissions and other estimated offering expenses payable by us, and the use of the net proceeds therefrom.

You should consider this table in conjunction with our financial statements and the notes to those financial statements included elsewhere in this prospectus.

	As of July 31, 2013		
	Actual	Pro Forma	Pro Forma As Adjusted
Short-term and long-term notes payable[(1)]	$2,602,272	$2,692,542	$2,048,993
Shareholders Equity (deficiency):			
Preferred stock, $0.001 par value; 5,000,000 shares authorized; Series B Preferred Stock; issued and outstanding 740 at July 31, 2013. Liquidation preference of $10,277,570, actual, pro forma and pro forma, as adjusted, respectively			
Common Stock $0.001 par value; authorized 25,000,000 shares, issued and outstanding 4,898,248 at July 31, 2013, $0 pro forma and $0 pro forma, as adjusted, respectively	4,898	5,704	8,759
Additional paid-in capital	64,083,331	55,737,725	73,897,328
Promissory Note Receivable	(10,633,584)		
Deficit accumulated during the development stage	(60,181,464)	(61,911,198)	(62,273,181)
Total shareholders deficiency	(6,726,819)	16,167,769	11,632,907
Total Capitalization	$(9,329,091)	$(18,860,311)	$13,681,899

Notes:

(1)

The amount represents the sum of the funded short- and long-term debt (including interest) from the following captions of our balance sheet: short-term convertible notes, note payable-former officer, notes payable-other and the long-term convertible note exclusive of fair value adjustment.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read together with our financial statements and the related notes appearing elsewhere in this prospectus. This discussion contains forward-looking statements reflecting our current expectations that involve risks and uncertainties. See Forward-Looking Statements for a discussion of the uncertainties, risks and assumptions associated with these statements. Actual results and the timing of events could differ materially from those discussed in our forward-looking statements as a result of many factors, including those set forth under Risk Factors and elsewhere in this prospectus.

Overview

We are a clinical development stage biotechnology company with the intent to develop safe and effective immunotherapies for cancer and infectious diseases. These immunotherapies are based on a platform technology under exclusive license from Penn that utilizes live attenuated *Lm* bioengineered to secrete antigen/adjuvant fusion proteins. These *Lm* strains use a fragment of the protein listeriolysin, or LLO, fused to a tumor associated antigen, or TAA, or other antigen of interest which we refer to these as *Lm*-LLO immunotherapies. We believe these *Lm*-LLO agents redirect the potent immune response to *Lm* which is inherent in humans, to the TAA or antigen of interest. *Lm*-LLO based immunotherapies stimulate the immune system to induce antigen-specific anti-tumor immune responses involving both innate and adaptive arms of the immune system. In addition, this technology facilitates the immune response by altering the microenvironment of tumors to make them more susceptible to immune attack.

Our lead construct, ADXS-HPV, is being evaluated in four ongoing clinical trials for HPV-associated diseases as follows: recurrent cervical cancer (India), locally advanced cervical cancer (with the GOG, largely underwritten by the NCI, U.S.); head and neck cancer (with the CRUK, U.K.) and anal cancer (BrUOG, U.S.). In addition, we have developed immunotherapies for prostate cancer and HER2 overexpressing cancers (such as breast, gastric and other cancers in humans and osteosarcoma in canines). Over fifteen distinct constructs are in various stages of development, developed directly by us and through strategic collaborations with recognized centers of excellence.

We have no customers. Since our inception in 2002, we have focused our development efforts on understanding our technology and establishing a drug development pipeline that incorporates this technology into therapeutic immunotherapies, currently those targeting HPV-associated diseases (cervical cancer, head and neck cancer and anal cancer), prostate cancer, and HER2 overexpressing cancers. Although no immunotherapies have been commercialized to date, research and development and investment continues to be placed behind the pipeline and the advancement of this technology. Pipeline development and the further exploration of the technology for advancement entail risk and expense. We anticipate that our ongoing operational costs will increase significantly as we continue conducting our clinical development program.

If we fail to raise a significant amount of capital, we may need to significantly curtail operations or cease operations in the near future. Any sale of our common stock or issuance of rights to acquire our common stock below $3.16 per share (as may be further adjusted) with respect to certain of our outstanding debt instruments or $15.11 per share (as may be further adjusted) with respect to certain of our outstanding warrants will trigger a significant dilution due to the anti-dilution protection provisions contained therein.

We have sustained losses from operations in each fiscal year since our inception, and we expect these losses to continue for the indefinite future, due to the substantial investment in research and development. As of July 31, 2013 and October 31, 2012, we had an accumulated deficit of $60,181,464 and $47,601,427, respectively and shareholders deficiency of $6,726,819 and $5,962,724, respectively. Our research and development costs decreased from approximately $8.1 million for the year ended October 31, 2011 to approximately $6.6 million for the year ended October 31, 2012. Research and development expenses decreased by approximately $1,348,000 to approximately $4,412,000 for the nine months ended July 31, 2013 as compared with approximately $5,760,000 for the nine months ended July 31, 2012. Our projected annual staff, overhead, laboratory and nonclinical expenses are estimated to be approximately $4.1 million for the current fiscal year ended October 31, 2013. We expect to incur significant additional costs. The timing and estimated costs of these projects are difficult to predict. We may attempt to accelerate the timing of the required financing and, conversely, if the trial or trials are not successful we may slow our spending and defer

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the timing of additional financing. While we will attempt to attract a corporate partnership and grants, we have not assumed the receipt of any additional financial resources in our cash planning.

To date, we have outsourced many functions of drug development including manufacturing and clinical trial management. Accordingly, the expenses of these outsourced services account for a significant amount of our accumulated loss. We cannot predict when, if ever, any of our immunotherapies will become commercially viable or approved by the U.S. Food and Drug Administration, or FDA. We expect to spend substantial additional sums on the continued research and development of proprietary products and technologies, including conducting clinical trials for our immunotherapies, with no certainty that our immunotherapies will become commercially viable or profitable as a result of these expenditures.

Results of Operations

Nine Months Ended July 31, 2013 Compared to Nine Months Ended July 31, 2012

Revenue

We did not record any revenue for the nine months ended July 31, 2013 and 2012.

Research and Development Expenses

Research and development expenses decreased by approximately $1,348,000 to approximately $4,412,000 for the nine months ended July 31, 2013 as compared with approximately $5,760,000 for the same period a year ago. This is primarily attributable to decreased clinical trial expenses due to the near completion of dosing patients in our India trial and less clinical trial activity as compared with the same period a year ago. This was slightly offset by an increase in overall compensation in the current period primarily resulting from higher stock-based compensation for options granted to employees as compared with the same period a year ago.

We anticipate a significant increase in research and development expenses as a result of our intended expanded development and commercialization efforts primarily related to clinical trials and product development. In addition, we expect to incur expenses in the development of strategic and other relationships required to license manufacture and distribute our product candidates when they are approved.

General and Administrative Expenses

General and administrative expenses increased by approximately $2,003,000 to approximately $6,300,000 for the nine months ended July 31, 2013 as compared with approximately $4,297,000 for the same period a year ago. This was primarily due to higher stock-based compensation expense for options and shares granted to employees and directors as compared to the same year period a year ago as well as severance costs related to a former employee. In addition, a portion of the increase is attributable to increased legal and consulting fees in the current period as compared to the prior year period.

Interest Expense

For the nine months ended July 31, 2013, interest expense decreased significantly to approximately $600,000 from $4,242,000 in the same period a year ago, which decrease is largely a result of the significant reduction in overall debt. These reductions included the May 2012 exchange of approximately $4.5 million aggregate principal value of convertible promissory notes for shares of our common stock and warrants and the conversion of approximately $1.8 million aggregate principal value of various convertible promissory notes into shares of our common stock during 2012 and 2013. In addition, in the period a year ago, we recorded interest expense of approximately $500,000 related the issuance of shares to JMJ Financial under a previously disclosed Settlement Agreement, resulting in non-cash expense from the recognition of a beneficial conversion feature. This decrease was slightly offset by approximately $157,000 in non-cash interest expense recorded in the current period related to the issuance of 28,000 shares of our common stock (Commitment Fee Shares) under the Hanover Purchase Agreement.

Other Income/(Expense)

Other expense was approximately $15,926 for the nine months ended July 31, 2013 as a result of approximately $5,100 in interest income from payments made to us under the terms of a convertible promissory note, more than offset by expense of approximately $21,077 related to unfavorable changes in foreign exchange rates relating to transactions with certain vendors.

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Other income was approximately $26,000 for the nine months ended July 31, 2012 as compared with other expense of approximately $49,000 in the same period a year ago as a result of favorable changes in foreign exchange rates relating to transactions with certain vendors.

(Loss) Gain on Note Retirement and Accounts Payable

For the nine months ended July 31, 2013, we recorded non-cash income of approximately $349,000 primarily resulting from the settlement of outstanding payables with shares of our common stock or at a discount. This income was partially offset by charges incurred related to the conversion of notes into shares of our common stock by investors.

For the nine months ended July 31, 2012, we recorded a charge to income of approximately $2,173,000 primarily resulting from entering into exchange agreements with May, October and December 2011 investors in which these investors exchanged convertible promissory notes in the aggregate principal amount of approximately $4.5 million for (i) an aggregate of approximately 418,000 shares of our common stock and (ii) warrants to purchase up to approximately 46,000 shares of common stock at an exercise price of $18.75 per share. In addition, the Company recognized noncash expense resulting from the conversion of promissory notes, by investors, during the nine months ended July 31, 2012. These expenses were partially offset by noncash income resulting from the issuance of shares to Numoda under a stock purchase agreement and the July 2012 warrant exchanges.

Changes in Fair Values

For the nine months ended July 31, 2013, we recorded non-cash expense of approximately $2.3 million. This was primarily the result of non-cash expense of approximately $1.2 million from the mark-to-market of our convertible promissory notes, accounted for under fair value accounting. In addition, we recorded non-cash expense of approximately $1.1 million from changes in the fair value of the warrant liability resulting from an increase in the fair value of each liability warrant due to an increase in our share price from $5.63 at October 31, 2012 to $9.00 at January 31, 2013 in addition to a larger range of share prices used in the calculation of the BSM Model volatility input and the number of outstanding liability warrants increasing during the current period compared to the same period a year ago.

For the nine months ended July 31, 2012, we recorded income from changes in the fair value of the warrant liability and embedded derivative liability of approximately $6.0 million primarily resulting from a decrease in the fair value of each liability warrant due primarily to a decrease in our share price from $18.75 at October 31, 2010 to $8.75 at July 31, 2012. In addition, there was a decrease in the fair value of each liability warrant due to a smaller range of share prices used in the calculation of the BSM Model volatility input.

Potential future increases or decreases in our stock price will result in increased or decreased warrant and embedded derivative liabilities, respectively, on our balance sheet and therefore increased or decreased expenses being recognized in our statement of operations in future periods.

Income Tax Benefit

We may be eligible, from time to time, to receive cash from the sale of our NOLs under the State of New Jersey NOL Transfer Program. In the nine months ended July 31, 2013, we received a net cash amount of approximately $725,000 from the sale of our state NOLs and research & development tax credits for the periods ended October 31, 2010 and 2011.

In the nine months ended July 31, 2012, we received a net cash amount of $346,787 from the sale of our state NOLs for the periods through October 31, 2010.

Fiscal Year 2012 Compared to Fiscal Year 2011

Revenue

We recorded no revenue for the years ended October 31, 2012 and October 31, 2011.

Research and Development Expenses

Research and development expenses decreased by approximately $1,433,000 to approximately $6,646,000 for the fiscal year ended October 31, 2012 as compared with approximately $8,079,000 for the same period a

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year ago. This is primarily attributable to clinical trial expenses, which decreased in the current year resulting from lower manufacturing costs due to the near completion of dosing patients in our India trial and less clinical trial activity. These decreases were slightly offset by an increase in expenses related to the initiation of preclinical trial studies in other cancer indications.

We anticipate a significant increase in research and development expenses as a result of expanded development and commercialization efforts primarily related to clinical trials and product development. In addition, expenses will be incurred in the development of strategic and other relationships required to license manufacture and distribute our product candidates.

General and Administrative Expenses

General and administrative expenses increased by approximately $749,000 or 15%, to approximately $5,689,000 for the fiscal year ended October 31, 2012 as compared with approximately $4,940,000 for the same period a year ago. This was primarily the result of noncash expenses related to the issuance of shares of our common stock under various agreements entered into in the current period as well as an increase in stock-based compensation related to the issuance of additional options to employees, consultants and directors. In addition, we incurred penalties and fees resulting from the late filing of certain registration statements related to our various capital raises. These increases were slightly offset by lower in legal and consulting costs in the current period when compared with the same period a year ago.

Interest Expense

In the fiscal year ended October 31, 2012, interest expense decreased by approximately $162,000 to approximately $4,537,000 from approximately $4,699,000 for the fiscal year ended October 31, 2011. We recorded less interest expense in the current period primarily resulting from the significant reduction in overall debt including the $4.5 million aggregate principal value of convertible promissory notes exchanged for shares of our common stock and warrants in May, 2012 and approximately $4.3 million aggregate principal value of various convertible promissory notes converted during 2012. These decreases were somewhat offset by additional interest expense related to the issuance of convertible promissory notes in the aggregate principal amount of approximately $3.2 million during the current period. Additionally, certain common shares issued to an investor, were recognized as a beneficial conversion feature resulting in noncash interest expense in the current period.

Other Expense/Income

Other income was approximately $12,000 for the fiscal year ended October 31, 2012 as a result of favorable changes in foreign exchange rates relating to transactions with certain vendors. Other expenses were approximately $79,000 in the fiscal year ended October 31, 2011 resulting from a write-off of intangible assets and unfavorable changes in foreign exchange rates relating to transactions with certain vendors.

Gain (Loss) on Note Retirement, Warrant Exchanges and Accounts Payable

For the fiscal year ended October 31, 2012, we recorded a charge to income of approximately $2,188,000, primarily resulting from the extinguishment of debt instruments in the aggregate amount of $8.8 million in exchange for shares of our common stock and warrants. These losses were partially offset by noncash gains resulting from the issuance of shares to Numoda in payment of a trade payable under a stock purchase agreement.

For the fiscal year ended October 31, 2011, we recorded income of approximately $462,000, primarily due to the exchange by an investor of 2007 warrants that contained anti-dilution provisions, for a larger number of warrants with no anti-dilution provisions.

Changes in Fair Values

The change in fair value of the common stock warrant liability and embedded derivative liability increased income by approximately $6.0 million for the fiscal year ended October 31, 2012 compared to income of approximately $9.8 million for the fiscal year ended October 31, 2011. In the current fiscal year, essentially all of the $6.6 million resulted from a decrease in the Black-Scholes value of each liability warrant due primarily to a decrease in our share price from $17.50 at October 31, 2011 to $5.63, at October 31, 2012. In addition, there was a decrease in the Black-Scholes value of each liability warrant due to a smaller range of share prices used in the calculation of the Black-Scholes-Merton Model volatility input.

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For the fiscal year ended October 31, 2011, we recorded income as the fair value of its warrant and embedded derivative liability decreased primarily due to declines in the underlying stock price (and therefore decreases in the corresponding warrant liability and embedded derivative liability) from share prices as high as $26.25, at April 30, 2011, to share prices as low as $17.50 at October 31, 2011. In addition, the number of warrants increased in the current fiscal year, increasing the income recorded due to changes in fair value from decreases in the underlying stock price.

Potential future increases or decreases in our stock price will result in increased or decreased warrant and embedded derivative liabilities, respectively, on our balance sheet and therefore increased expenses being recognized in our statement of operations in future periods.

Income Tax Benefit

In the fiscal year ended October 31, 2012, we recorded an income tax benefit of approximately $347,000 in income, due to the receipt of a net operating losses tax credit from the State of New Jersey tax program compared to approximately $379,000 in net operating losses tax credits received from the State of New Jersey tax program in the year ended October 31, 2011. In December 2012, we received notification that we will receive a net cash amount of approximately $725,000 from the sale of our net operating losses and research and development tax credits for the years ended October 31, 2010 and 2011. We received this amount in January 2013.

Liquidity and Capital Resources

Since our inception through July 31, 2013, we have reported accumulated net losses of approximately $60.1 million and recurring negative cash flows from operations. We anticipate that we will continue to generate significant losses from operations for the foreseeable future.

Our limited capital resources and operations to date have been funded primarily with the proceeds from public, private equity and debt financings, NOL tax sales and income earned on investments and grants. We have sustained losses from operations in each fiscal year since our inception, and we expect losses to continue for the indefinite future, due to the substantial investment in research and development. As of July 31, 2013 and October 31, 2012, we had an accumulated deficit of $60,181,464 and $47,601,427, respectively and stockholders deficiency of $6,726,819 and $5,962,724, respectively.

We do not have adequate cash on hand to cover our anticipated expenses for the next 12 months. If we fail to raise a significant amount of capital, we may need to significantly curtail or cease operations in the near future. These conditions have raised substantial doubt about our ability to continue as a going concern. Although we are working diligently to raise funds, including through this offering, no assurances can be provided that we will have sufficient cash and credit to sustain operations or that we will be successful in obtaining additional funding.

Discussion of Cash Flows

Cash used in operating activities, for the nine months ended July 31, 2013, was approximately $4.9 million resulting primarily from spending associated with our clinical trial programs and general & administrative spending. For the year ended October 31, 2012, cash used in operating activities was approximately $4.6 million, resulting from research and development spending of approximately $3.2 million. General and administrative spending on day-to-day operations was approximately $1.4 million.

Cash used in investing activities, for the nine months ended July 31, 2013, was approximately $201,000 resulting primarily from legal spending in support of our patents. For the year ended October 31, 2012, cash used in investing activities was approximately $397,000 resulting from legal cost spending in support of our intangible assets (patents) and costs paid to Penn for patents.

Cash provided by financing activities, for the nine months ended July 31, 2013, was approximately $5.1 million, primarily consisting of net proceeds received from the sale of convertible promissory notes ($2.0 million), the sale of our common stock primarily from the use of the Hanover Equity Enhancement Program ($3.0 million) and the exercise of warrants resulting in proceeds of approximately $94,000. For the

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year ended October 31, 2012, cash provided by financing activities was approximately $3.9 million, primarily consisting of net proceeds received from the sale of convertible promissory notes ($3.5 million) and the exercise of warrants ($0.4 million).

For the nine months ended July 31, 2013, we issued to certain accredited investors (including JMJ Financial, as described above) convertible promissory notes in the aggregate principal amount of approximately $2,138,277 for an aggregate net purchase price of approximately $2,110,500. These convertible promissory notes were issued with either original issue discounts ranging from 15% to 25% or are interest-bearing and are convertible into shares of our common stock. Some of these convertible promissory notes were issued along with warrants. These convertible promissory notes mature between January and December of 2014. In addition, during the nine months ended July 31, 2013, Mr. Moore loaned us $11,200 under the Moore Notes.

For the year ended October 31, 2012, we issued to certain accredited investors convertible promissory notes in the aggregate principal amount of approximately $3,670,000 for an aggregate net purchase price of approximately $3.1 million. These convertible promissory notes were issued with either original issue discounts ranging from 15% to 25% or are interest-bearing and are convertible into shares of our common stock. Some of these convertible promissory notes were issued along with warrants. These convertible promissory notes mature between January and June of 2013.

During the nine months ended July 31, 2013, we issued 17,657 shares of our common stock, to accredited investors, at a price per share of $4.375, resulting in total net proceeds of $77,250.

On October 26, 2012, we entered into a Common Stock Purchase Agreement with Hanover Holdings that is sometimes referred to as a committed equity line financing facility, which requires Hanover to purchase up to $10.0 million of shares of our common stock over the 24-month term following the date of effectiveness of the resale registration statement which was December 12, 2012. During the nine months ended July 31, 2013, we issued 348,724 shares of our common stock to Hanover in connection with the settlement of drawdowns pursuant to the Hanover Purchase Agreement, at prices ranging from approximately $3.32 to $7.48 per share. The per share price for such shares was established under the terms of the Hanover Purchase Agreement. We received total net proceeds of approximately $2,934,624 in connection with these drawdowns.

For the year ended October 31, 2012, we received proceeds of approximately $412,000 resulting from the exercise of approximately 21,960 warrants at an exercise price of $18.75.

For the year ended October 31, 2012, we repaid a total of approximately $88,000 in principal value of convertible promissory notes.

Off-Balance Sheet Arrangements

As of July 31, 2013 and October 31, 2012, respectively, we had no off-balance sheet arrangements.

Recent Financing Activities

Debt Conversion Agreements

In September 2013, we entered into agreements with certain holders of our outstanding indebtedness to amend the terms of their existing arrangements and provide for repayment thereof or conversion into our securities as follows:

Moore Notes. On September 26, 2013, we entered into a debt conversion agreement with Thomas A Moore, a Director of our company and our former Chief Executive Officer, with respect to the repayment and partial conversion of amounts owed to Mr. Moore under outstanding promissory notes issued pursuant to that certain Note Purchase Agreement dated September 22, 2008, as amended from time to time. We refer to these outstanding notes as the Moore Notes. As provided in the agreement, following the closing of this offering: (a) we will pay Mr. Moore $100,000 in cash as partial repayment of the Moore Notes, (b) one-half of the remaining balance (approximately $162,659) will automatically convert at the closing of the this offering into the securities being offered and sold in this offering at a conversion price equal to the public offer price, and (c) within three months of the closing of any such financing, we will pay Mr. Moore in cash the then remaining outstanding balance under the Moore Notes (after taking into account the $100,000

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payment and automatic conversion in our securities). Following the cash payments and partial conversion into our securities, there will no longer be any outstanding balances under the Moore Notes and we will no longer have any obligations under the Moore Notes. Securities received by Mr. Moore upon conversion will be restricted securities and subject to customary lock-up restrictions.

Redwood Bridge Notes. On September 27, 2013, we entered into an exchange agreement with Redwood Management, LLC, with respect to the conversion of amounts owed to Redwood under that certain convertible promissory note with an aggregate principal amount of $277,778 issued to Redwood in June 2013 in a bridge financing. We agreed to issue 125,000 restricted shares of our common stock to Redwood, in exchange for the convertible promissory note. Accordingly, we no longer have any outstanding obligations to Redwood under these bridge financing notes.

We are currently negotiating with the holders of approximately $1,628,000 outstanding principal amount of convertible promissory notes to exchange those outstanding securities for shares of our common stock or new convertible promissory notes that have fixed (rather than variable) conversion prices. There can be no guarantee that we will be successful in agreeing to terms with such holders, and there is a risk that such indebtedness may continue to be outstanding following this offering.

Series B Preferred Redemption

On September 26, 2013, we entered into a Notice of Redemption and Settlement Agreement with Optimus Capital Partners, LLC, a Delaware limited liability company, dba Optimus Life Sciences Capital Partners, LLC, Optimus CG II, Ltd., a Cayman Islands exempted Company and Socius CG II, Ltd., a Bermuda exempted Company, pursuant to which we agreed to redeem our outstanding shares of Series B Preferred Stock. Pursuant to the agreement, we agreed to cancel an outstanding receivable in the amount of $10,633,584 as of the date of the agreement as payment in full of the redemption payment due under the terms of the Series B Preferred Stock and agreed to issue 33,750 shares of our common stock to settle a disagreement regarding the calculation of the settlement amount under a July 2012 Order and Stipulation. In connection with the redemption, we agreed to cancel the outstanding warrant held by Optimus. Accordingly, following such redemption, there are no longer any shares of our Series B Preferred Stock issued and outstanding.

JMJ September 2013 Note

On September 4, 2013, we entered into a securities purchase agreement with JMJ Financial pursuant to which we issued JMJ Financial, in a private placement, an $800,000 convertible promissory note and 19,231 restricted shares of our common stock as a $50,000 origination fee for the note. The securities agreement provides that we will true up JMJ Financial by issuing additional shares of our common stock if JMJ Financial does not receive at least $50,000 of net proceeds from the sale of such shares of common stock when, and if, it disposes of such shares.

The face amount of the note reflects an aggregate principal amount of $800,000 for total consideration of $720,000 (or a 10% original issue discount). However, we only borrowed $575,000 from JMJ Financial under this convertible promissory note, for which JMJ Financial paid us $500,000 in cash. JMJ Financial has no obligation to lend us the remaining $220,000 of available principal amount under the note and may never do so. We have no obligation to pay JMJ Financial any amounts on the unfunded portion of the note. We may not prepay any portion of the note without JMJ Financial s consent.

The convertible promissory note matures September 4, 2014 and, in addition to the 10% original issue discount, provides for payment of a one time interest charge of 5% on funded amounts. The convertible promissory note is convertible at any time, in whole or in part, at JMJ Financial s option into shares of our common stock at the lesser of $2.65 or 70% of the average of the lowest two closing prices in the 20-day pricing period preceding a conversion.

However, at no time will JMJ Financial be entitled to convert any portion of the note to the extent that after such conversion, JMJ Financial (together with its affiliates) would beneficially own more than 4.99% of our outstanding shares common stock as of such date. We agreed to reserve at least 2,000,000 shares of our common stock for conversion of the note. The note also provides for penalties and rescission rights if we do not deliver shares of our common stock upon conversion within the required timeframes.

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The convertible promissory note includes customary event of default provisions, and provides for a default rate of the lesser of 18% or the maximum permitted by law. Upon the occurrence of an event of default, the lender may require us to pay in cash the Mandatory Default Amount, which is defined in the note to mean the greater of (i) the outstanding principal amount of the note plus all interest, liquidated damages and other amounts owing under the note, divided by the conversion price on the date payment of such amount is demanded or paid in full, whichever is lower, multipled by the volume-weighted-average price, or VWAP, on the date payment of such amount is demanded or paid in full, whichever has a higher VWAP, or (ii) 150% of the outstanding principal amount of the note plus 100% of all interest, liquidated damages and other amounts owing under the note.

If we complete a public offering of $5,000,000 or more, JMJ Financial has the right, at its election, to require us to repay the note, in whole or in part, an amount equal to 125% of the sum of the funded principal amount being repaid plus all accrued and unpaid interest liquidated damages, fees, and other amounts due on such principal amount. Accordingly, JMJ Financial has the right to require repayment from the proceeds from this offering. Although we are currently negotiating with JMJ Financial to exchange this note for shares of our common stock or new notes without variable conversion rate terms and waive any right to repayment out of the proceeds of this offering, there is no guarantee that JMJ Financial will agree to any such exchange or waiver.

Yenson Investment

On August 28, 2013, we entered into a Securities Purchase Agreement with Yenson, pursuant to which we issued Yenson 45,353 shares of our common stock and a 3-year warrant to acquire 22,161 shares of our common stock at an exercise price of $2.76 per share for $100,000 in cash.

Sale of Notes Collateralized by Sale of NOLs and R&D Tax Credits

On August 20, 2013, in a private placement pursuant to a note purchase agreement, we issued an accredited investor a secured convertible promissory note in the aggregate principal amount of $108,000, for a purchase price of $100,000. On September 18, 2013, we borrowed an additional $150,000 from this accredited investor and amended and restated the terms of the August note and issued this investor 12,000 shares of our common stock. As amended and restated, this note has an aggregate principal amount of $258,000, bears interest at a rate of 20% per annum and is due February 21, 2014, nine months after its original issuance date. To secure prompt payment under the note, we granted the holder a continuing security interest in all net proceeds we receive up to the aggregate amount of $258,000 plus accrued interest from the sale of our net operating loss and or research and development tax credits through the New Jersey Economic Development Program (described below). We may prepay the note at any time, however, if we pay the note prior to receiving the proceeds from such sales through the New Jersey Economic Development Program, we agreed to pay the sum of $295,200.

Fourth Asher Financing

On July 12, 2013, in a private placement pursuant to a note purchase agreement, we issued Asher Enterprises, Inc., or Asher, a convertible promissory note in the aggregate principal amount of $103,500, for a purchase price of $100,000. This note bears interest at a rate of 8%, which interest accrues, but does not become payable until maturity or acceleration of the principal of the note. This note is convertible into shares of our common stock at a conversion price equal to 65% of the arithmetic average of the five lowest closing trading prices for shares of our common stock during the 10 trading day period ending on the latest complete trading day prior to the applicable conversion date. This note matures on April 16, 2014, nine months from its issuance date. We intend to exercise our right to repay this note and expect to use a portion of the proceeds from this offering to pay this outstanding note in full. See Use of Proceeds.

Redwood Bridge

On June 21, 2013, we entered into a bridge financing arrangement with Redwood Management, LLC, or Redwood. Accordingly, on June 21, 2013, we entered into a Securities Purchase Agreement with Redwood providing for the issuance and sale of up to $555,556 of aggregate principal amount of 5% convertible debentures, or the Bridge Notes, to Redwood, and we issued Redwood Bridge Notes with a stated principal amount of $277,778 for total consideration of $250,000 in cash (representing a 10% original issue discount). On September 27, 2013, Redwood agreed to exchange the Bridge Notes for 125,000 restricted shares of our

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common stock as described above under Debt Conversion Agreements. Accordingly, these notes are no longer outstanding. For additional information regarding the terms of these Bridge Notes, see note 5 to our interim unaudited financial statements included elsewhere in this prospectus.

JMJ April 2013 Note

On April 26, 2013, in a private placement, we issued JMJ Financial a convertible promissory note. The face amount of the note reflects an aggregate principal amount of $800,000 for total consideration of $720,000 (or a 10% original issue discount). As of April 26, 2013, we had only borrowed $425,000 from JMJ Financial under this convertible promissory note. JMJ Financial paid us $300,000 in cash and exchanged a promissory note with an aggregate principal amount of $125,000 that we issued to JMJ Financial on December 26, 2012 as consideration for the note. On June 27, 2013, we borrowed an additional $100,000 under this convertible promissory note for which JMJ Financial paid us in cash. JMJ Financial has no obligation to lend us the remaining $195,000 of available principal amount under the note and may never do so. We have no obligation to pay JMJ Financial any amounts on the unfunded portion of the note. We may not prepay any portion of the note without JMJ Financial s consent.

The convertible promissory note matures April 26, 2014 and, in addition to the 10% original issue discount, provides for payment of a one time interest charge of 5% on funded amounts. The convertible promissory note is convertible at any time, in whole or in part, at JMJ Financial s option into shares of our common stock at the lesser of $8.75 or 70% of the average of the lowest two closing prices in the 20-day pricing period preceding a conversion. However, at no time will JMJ Financial be entitled to convert any portion of the note to the extent that after such conversion, JMJ Financial (together with its affiliates) would beneficially own more than 4.99% of our outstanding shares common stock as of such date. We agreed to reserve at least 160,000 shares of our common stock for conversion of the note. The note also provides for penalties and rescission rights if we do not deliver shares of our common stock upon conversion with the require timeframes.

The convertible promissory note includes customary event of default provisions, and provides for a default rate of the lesser of 18% or the maximum permitted by law. Upon the occurrence of an event of default, the lender may require us to pay in cash an amount equal to the Mandatory Default Amount which is defined in the note to mean the greater of (i) the outstanding principal amount of the note plus all interest, liquidated damages and other amounts owing under the note, divided by the conversion price on the date payment of such amount is demanded or paid in full, whichever is lower, multiplied by the volume-weighted-average price, or VWAP, on the date payment of such amount is demanded or paid in full, whichever has a higher VWAP, or (ii) 150% of the outstanding principal amount of the note plus 100% of all interest, liquidated damages and other amounts owing under the note.

We also granted JMJ Financial the right, at its election, to participate in the next public offering of our securities by exchanging, in whole or in part, the funded portion of this note for a subscription to such public offering in an amount equal to 125% of the sum of the funded portion of the principal amount of being exchanged plus all accrued and unpaid interest, liquidated damages, fees, and other amounts due on such exchanged principal amount. However, in September 2013, JMJ Financial agreed to amend the April 2013 note to remove this right. If we complete a public offering of $10,000,000 or more, JMJ Financial has the right, at its election, to require us to repay the note, in whole or in part, in an amount equal to 125% of the sum of the funded principal amount being repaid plus all accrued and unpaid interest liquidated damages, fees, and other amounts due on such principal amount. In September 2013, we agreed to lower this threshold to $5,000,000 in connection with sale of the new convertible promissory note to JMJ Financial. Accordingly, JMJ Financial has the right to require repayment from the proceeds from this offering. Although we are currently negotiating with JMJ Financial to exchange this note for shares of our common stock or new notes without variable conversion rate terms and waive any right to repayment out of the proceeds of this offering, there is no guarantee that JMJ Financial will agree to any such exchange or waiver.

New Jersey Economic Development Authority

On December 13, 2012 we announced that we had received preliminary approval for $796,913 from the sale of certain net operating loss carryovers from prior years through the Technology Business Tax Certificate

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Transfer Program sponsored by the New Jersey Economic Development Authority (NJEDA). On January 24, 2013, we received approximately $725,192 after sales commission and other expenses in this non-dilutive funding.

Tonaquint Note

On December 13, 2012, we entered into a securities purchase agreement with Tonaquint, Inc. pursuant to which we issued Tonaquint a convertible promissory note for the initial principal amount of $890,000 (which we refer to as the Tonaquint Note) in exchange for (i) $400,000 in cash and (ii) two $200,000 secured mortgage notes from Tonaquint. We also entered into a security agreement with Tonaquint dated the same date that gave Tonaquint a security interest in the two mortgage notes and issued Tonaquint a 5-year warrant to purchase that number of shares equal to $667,500 (75% of the principal amount under the note) divided by market price (as defined in the warrant agreement) as described below. The mortgage notes issued to us by Tonaquint bore interest at a rate of 5% per annum and were originally due in August 2013 and October 2013, respectively, unless the Tonaquint Note matured prior to such time or if certain payment conditions had not been met as of such dates. However, in March 2013, Tonaquint made accelerated payments (including interest income) of $202,493 and $202,657 to us under the mortgage notes and these mortgage notes are no longer outstanding. Accordingly, the security agreement was also terminated at such time.

The Tonaquint Note reflects an original issue discount of $80,000 plus $10,000 of carried transaction expense that, bears interest at a rate of 8% per annum and matures 26 months after its issue date. The Tonaquint Note can currently be converted at any time, from time to time, at the option of the holder, in whole or in part. The original conversion price was $20.00 per share, however, this was adjusted down due to the issuance of shares of our common stock or other securities convertible into or exchangeable for shares of our common stock below that price.

As contemplated by the terms of the note, we began making installment payments on the Tonaquint Note beginning in June 2013 (180 days after issuance). The monthly installment payments equal $49,444 ($890,000 divided by 18) and are to be made until the Tonaquint Note is paid in full. We have the option to make such payments in cash or stock, or a combination thereof, although we are required to make the payment in cash if certain conditions are not met. If we pay in stock, then we issue stock at a price per share equal to 80% of the average of the 5 lowest daily closing bid prices for our common stock during the 20 trading days prior to the installment date (or 70% if the average of the 3 lowest volume weighted average prices during such 20-day period is less than $1.25 per share). The note also requires us to true-up Tonaquint by issuing additional shares of our common stock if the market price (determined per the terms of the note) is lower than the price per share of our common stock on the installment date.

We agreed to reserve that number of shares equal to: (i) two times the higher of (A) the outstanding balance of the note divided by the then applicable conversion price, and (B) the outstanding balance of the note divided by the market price (as defined in the note), plus (ii) two times the number of shares that would be required to be delivered upon complete exercise of the warrant pursuant to the terms thereof. We also granted Tonaquint a 2-year right of participation in any transaction or arrangement structured, in whole or in part, in accordance with Section 3(a)(9) or Section 3(a)(10) of the Securities Act and granted Tonaquint piggyback registration rights in connection with any public offering of securities.

We also issued Tonaquint a warrant to purchase that number of shares equal to $667,500 (75% of the principal amount under the note) divided by market price (as defined in the warrant agreement) on the December 13, 2013 issue date, which expires December 31, 2018 (the last calendar day of the month that is 5-years from the issue date) and provides for a variable exercise price per share. On March 14, 2013, we issued 170,623 shares of our common stock resulting from the partial cashless exercise of the warrant issued to Tonaquint during the three months ended January 31, 2013. Warrants to purchase up to 86,282 shares of our common stock issued to Tonaquint remain outstanding. Although we are currently negotiating with Tonaquint to exchange its notes for shares of our common stock and

exchange its warrant for a warrant with a fixed exercise price and waive its registration rights, there is no guarantee that Tonaquint will agree to any such exchange or waiver.

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Private Placements of Convertible Notes to Hanover

On December 6, 2012, in a private placement pursuant to a note purchase agreement, we issued Hanover Holdings I, LLC, or Hanover, a convertible promissory note in the aggregate principal amount of $100,000 for a purchase price of $100,000, which we refer to as the Hanover December 2012 Note. The Hanover December 2012 Note bears interest at a rate of 12% per annum, which interest accrues, but does not become payable until maturity or acceleration of the principal of such Hanover December 2012 Note. The Hanover December 2012 Note is convertible into shares of our common stock at a conversion price of $3.75 per share. On June 11, 2013, the Hanover December 2012 Note was converted into 26,667 shares of our common stock at a conversion price of $3.75. This note no longer remains outstanding. On December 5, 2012, Hanover exchanged certain other notes that had been issued to Hanover in September and October 2012 for convertible notes in the form of the Hanover December 2012 Note in all material respects (other than date of issuance, exchange date, the maturity date of May 19, 2012 solely with respect to the exchanged note issued in exchange for the prior note from September 2012 and the maturity date of June 19, 2013 solely with respect to the exchange note issued in exchange for the prior note from October 2012) that also are convertible into shares of our common stock at a conversion price of $3.75 per share, which we refer to as the Exchanged Hanover PIPE Notes. Each of the Hanover December 2012 Notes and the Exchanged Hanover PIPE Notes are subject to limitations on conversion if after giving effect to such conversion Hanover would beneficially own more than 4.99% of our common stock.

Equity Enhancement Program

On October 26, 2012, we entered into a Common Stock Purchase Agreement with Hanover. Under the agreement, we may, subject to certain customary conditions require Hanover to purchase up to $10.0 million of shares of our common stock over the 24-month term following the effectiveness of the resale registration statement described below. We refer to this financing arrangement (often called a committed equity line) as the Equity Enhancement Program. Over the 24-month term following the effectiveness of the resale registration statement, we generally have the right, but not the obligation, to direct Hanover to periodically purchase shares of our common stock in specific amounts under certain conditions at our sole discretion. The purchase price for such shares of common stock will be the higher of (i) the minimum price, which we refer to as the Floor Price, set forth in our notice electing to effect such issuance, which we refer to as the Draw Down Notice, and (ii) 90% of the arithmetic average of the five lowest closing sale prices of the common stock during the applicable ten trading day pricing period (or, if less, the arithmetic average of all trading days with closing sale prices in excess of the Floor Price), subject to adjustment upon an alternative transaction. Each trading day with a closing sale price less than the Floor Price is excluded from the calculation of the purchase price and automatically reduces the number of trading days in the applicable pricing period.

In consideration for Hanover s execution and delivery of the purchase agreement, we issued Hanover 28,000 shares of our common stock, which we refer to as the Commitment Fee Shares. We have also agreed to issue Hanover up to 14,400 additional shares of our common stock, which we refer to as the Maintenance Fee Shares, during any full calendar quarter during the term of the purchase agreement, if no shares of our common stock have been purchased or sold because we did not deliver a draw down notice to Hanover. The number of Maintenance Fee Shares to be delivered to Hanover, from time to time, with respect to any calendar quarter, will be equal to approximately $15,000 worth of shares of our common stock at a 10% discount to market.

As of September 27, 2013 we have received $2,964,137 and have issued 359,224 shares of our common stock pursuant to this arrangement.

On September 24, 2013, we notified Hanover that we irrevocably commit to suspend any draw downs under the Purchase Agreement without the prior written consent of Aegis Capital Corp. for a six month period from the closing of this offering.

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts and related disclosures in the financial statements. Management considers an accounting estimate to be critical if:

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it requires assumptions to be made that were uncertain at the time the estimate was made, and changes in the estimate of difference estimates that could have been selected could have material impact in our results of operations or financial condition.

While we base our estimates and judgments on our experience and on various other factors that we believe to be reasonable under the circumstances, actual results could differ from those estimates and the differences could be material. The most significant estimates impact the following transactions or account balances: stock compensation, warrant valuation, impairment of intangibles, dilution caused by anti-dilution provisions in the warrants and other agreements.

Stock Based Compensation

We account for stock-based compensation using fair value recognition and record stock-based compensation as a charge to earnings net of the estimated impact of forfeited awards. As such, we recognize stock-based compensation cost only for those stock-based awards that are estimated to ultimately vest over their requisite service period, based on the vesting provisions of the individual grants.

The process of estimating the fair value of stock-based compensation awards and recognizing stock-based compensation cost over their requisite service period involves significant assumptions and judgments. We estimate the fair value of stock option awards on the date of grant using the Black-Scholes option-valuation model for the remaining awards, which requires that we make certain assumptions regarding: (i) the expected volatility in the market price of our common stock; (ii) dividend yield; (iii) risk-free interest rates; and (iv) the period of time employees are expected to hold the award prior to exercise (referred to as the expected holding period). As a result, if we revise our assumptions and estimates, our stock-based compensation expense could change materially for future grants.

Stock-based compensation for directors is reflected in general and administrative expenses in the statements of operations. Stock-based compensation for employees and consultants could be reflected in research and development expenses or general and administrative expenses in the consolidated statements of operations.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, receivables, accounts payable and accrued expenses approximated fair value, as of the balance sheet date presented, because of the relatively short maturity dates on these instruments. The carrying amounts of the financing arrangements issued approximate fair value, as of the balance sheet date presented, because interest rates on these instruments approximate market interest rates after consideration of stated interest rates, anti-dilution protection and associated warrants. The estimate of fair value of such financial instruments involves the exercise of significant judgment and the use of estimates by management

Derivative Financial instruments

We do not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks. We evaluate all of our financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. The determination of fair value requires the use of judgment and estimates by management. For stock-based derivative financial instruments, we used the Black-Scholes valuation model which approximated the binomial lattice options pricing model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative liabilities are

classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the instrument could be required within 12 months of the balance sheet date. The variables used in the model are projected based on our historical data, experience, and other factors. Changes in any of these variables could result in material adjustments to the expense recognized for changes in the valuation of the warrant derivative liability.

Hybrid Financial Instruments

For certain hybrid financial instruments, we elected to apply the fair value option to account for certain instruments. We made an irrevocable election to measure such hybrid financial instruments at fair value in

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their entirety, with changes in fair value recognized in earnings at each balance sheet date. The election may be made on an instrument by instrument basis. The determination of fair value requires the use of judgment and estimates by management.

Debt Discount and Amortization of Debt Discount

Debt discount represents the fair value of embedded conversion options of various convertible debt instruments and attached convertible equity instruments issued in connection with debt instruments. The determination of fair value requires the use of judgment and estimates by management. The debt discount is amortized over the earlier of (i) the term of the debt or (ii) conversion of the debt, using the straight-line method, which approximates the interest method. The amortization of debt discount is included as a component of other expenses in the accompanying statements of operations.

New Accounting Pronouncements

In February 2013, the FASB issued ASU No. 2013-02, Reporting of Amounts Reclassified Out of Other Comprehensive Income. ASU 2013-02 finalized the reporting for reclassifications out of accumulated other comprehensive income, which was previously deferred, as discussed below. The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. However, they do require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. An entity is also required to present on the face of the financials where net income is reported or in the footnotes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. Other amounts need only be cross-referenced to other disclosures required that provide additional detail of these amounts. The amendments in this update are effective for reporting periods beginning after December 15, 2012. Early adoption is permitted.

In March 2013, the FASB issued ASU 2013-07, Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting. The amendments require an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent. Liquidation is imminent when the likelihood is remote that the entity will return from liquidation and either (a) a plan for liquidation is approved by the person or persons with the authority to make such a plan effective and the likelihood is remote that the execution of the plan will be blocked by other parties or (b) a plan for liquidation is being imposed by other forces (for example, involuntary bankruptcy). If a plan for liquidation was specified in the entity s governing documents from the entity s inception (for example, limited-life entities), the entity should apply the liquidation basis of accounting only if the approved plan for liquidation differs from the plan for liquidation that was specified at the entity s inception. The amendments require financial statements prepared using the liquidation basis of accounting to present relevant information about an entity s expected resources in liquidation by measuring and presenting assets at the amount of the expected cash proceeds from liquidation. The entity should include in its presentation of assets any items it had not previously recognized under U.S. GAAP but that it expects to either sell in liquidation or use in settling liabilities (for example, trademarks). The amendments are effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. Entities should apply the requirements prospectively from the day that liquidation becomes imminent. Early adoption is permitted. Management does not expect the pronouncement to have a material effect on our financial position, results of operations or cash flows.

In July 2013, the FASB issued ASU 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. Under

this new guidance, companies must present this unrecognized tax benefit in the financial statements as a reduction to deferred tax assets created by net operating losses or other tax credits from prior periods that occur in the same taxing jurisdiction. If the unrecognized tax benefit exceeds such credits it should be presented in the financial statements as a liability. This update is effective for annual and interim reporting periods for fiscal years beginning after December 15, 2013. Management does not expect the pronouncement to have a material effect on our financial position, results of operations or cash flows.

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BUSINESS

General

We are a clinical development stage biotechnology company focused on the discovery, development and commercialization of our proprietary *Lm*-LLO immunotherapies to treat cancers and infectious diseases. These immunotherapies are based on a platform technology that utilizes live attenuated *Listeria monocytogenes,* which we refer to as *Listeria* or *Lm*, bioengineered to secrete antigen/adjuvant fusion proteins. We believe that these *Lm*-LLO strains are a significant advancement in immunotherapy as they integrate multiple functions into a single immunotherapy because they access and direct antigen presenting cells to stimulate anti-tumor T-cell immunity, stimulate and activate the immune system with the equivalent of multiple adjuvants and simultaneously reduce tumor protection in the tumor microenvironment to enable the T-cells to eliminate tumors. Other immunotherapies may employ individual elements of our comprehensive approach, but, to our knowledge, none combine all of these elements together in a single, easily administered, well-tolerated yet comprehensive immunotherapy.

The effectiveness of our approach has been validated by numerous publications in multiple models of human disease. In the clinic, ADXS-HPV, our lead *Lm*-LLO immunotherapy for the treatment of HPV-associated cancers, is well-tolerated and has been administered to both young patients with pre-malignant dysplasia, as well as patients with advanced disease. Clinical efficacy has been demonstrated by apparent prolonged survival, complete and partial tumor responses, and the prolonged stabilization of advanced cancer. The preliminary data from our ongoing Phase 2 clinical trial of ADXS-HPV in patients with recurrent cervical cancer demonstrate that ADXS-HPV is an active agent in this disease setting with a manageable safety profile. We achieved proof of concept with this Phase 2 study, and over the next two to five years, we plan to advance ADXS-HPV through registrational Phase 3 trials and regulatory approval(s) in the United States and relevant markets for the treatment of women with cervical cancer. We are currently evaluating this same *Lm*-LLO immunotherapy in Phase 1/2 clinical trials for two other HPV-associated cancers: head and neck cancer and anal cancer. In addition, we plan to advance ADXS-PSA, our second *Lm*-LLO immunotherapy, into a Phase 1 dose escalation trial to determine the maximum tolerated dose for the treatment of prostate cancer in the first half of 2014. A third *Lm*-LLO immunotherapy, ADXS-cHER2, is being evaluated for safety and efficacy in the treatment of companion dogs with HER2 over-expressing osteosarcoma.

Our *Lm*-LLO Immunotherapy Platform Technology

Our immunotherapies are based on a platform technology under exclusive license from the University of Pennsylvania, or Penn, that utilizes live attenuated *Lm* bioengineered to secrete antigen/adjuvant fusion proteins. These *Lm* strains use a fragment of the protein listeriolysin, or LLO, fused to a tumor associated antigen, or TAA, or other antigen of interest and we refer to these as *Lm*-LLO immunotherapies. Regardless of which antigen(s) is fused to LLO, the proposed mechanism of action is basically the same. We believe these *Lm*-LLO immunotherapies redirect the potent immune response to *Lm* that is inherent in humans, to the TAA or other antigen of interest. *Lm*-LLO immunotherapies stimulate the immune system to induce antigen-specific anti-tumor immune responses involving both innate and adaptive arms of the immune system. In addition, our technology facilitates the immune response by altering the tumor microenvironment to reduce immunologic tolerance in the tumors but leave normal tissues unchanged. This makes the tumor more susceptible to immune attack by inhibiting the T-cells, or Tregs, and myeloid-derived suppressor cells, or MDSC, that we believe promote immunologic tolerance of cancer cells in the tumor.

The field of immunotherapy is a relatively new area of cancer treatment development and holds tremendous promise to generate more effective and better tolerated treatments for cancer than the more traditional, high dose chemotherapy and radiation therapies that have been the mainstay of cancer treatment thus far. There are many approaches toward immunotherapy that have been recently approved or are in development:

Approach 1: Collect the patient s antigen presenting cells and treat them in a laboratory, and then give them back to the patient so that they might stimulate the generation of T-cells that can attack the tumors. *Lm*-LLO immunotherapies access those cells directly, right inside the patient, and eliminate the need to collecting the cells and processing them in a laboratory.

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Approach 2: Stimulate the activity of the immune system by adding adjuvants to increase the activity. However, individual adjuvants can activate the immune system in an imbalanced and sometimes counterproductive way that may increase the levels of cells that block cancer killing cells from doing their job. *Lm*-LLO immunotherapies by themselves act as multiple adjuvants and stimulate a comprehensive immune response. *Lm*-LLO immunotherapies stimulate the specific type of immunologic environment to generate the type of immunity that is required to kill the targeted cancerous cells.

Approach 3: Block one of the many mechanisms of immunologic tolerance. Tumors can sometimes escape the immune system by hiding behind immunologic tolerance usually reserved to protect normal tissues. However the non-tumor specific blocking of immune tolerance can give rise to serious and sometimes fatal auto-immune side effects. *Lm*-LLO immunotherapies have the unique ability to over-ride several mechanisms of immune tolerance that may be protecting tumors but do not change the immune tolerance of normal tissues, thereby avoiding auto-immune side effects.

As is described further below, we believe our *Lm*-LLO immunotherapies will offer a more comprehensive immunotherapy in a single, well-tolerated, easy to administer treatment.

Mechanism of Action

Our platform technology is based on the use of live attenuated *Lm* bioengineered with multiple copies of a plasmid that encode a fusion protein sequence that includes a fragment of LLO joined to the tumor associated antigen, or TAA, of interest. Due to the attenuation of the *Lm* strains, these bacteria are nonpathogenic and are therefore no longer able to cause an infection. *Lm* stimulate a profound innate immune response and are phagocytized by antigen presenting cells, or APC. APC are phagocytic sentinel cells that circulate throughout the body taking up and breaking down foreign and dying cells.

The specific details of the intracellular life cycle of *Lm* are important for the understanding of our platform technology. The following diagram illustrates how the live attenuated bioengineered *Lm* in our *Lm*-LLO immunotherapies are phagocytized and processed by an APC:

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Lm-LLO immunotherapies are bioengineered with multiple copies of a plasmid that encode a fusion protein sequence that includes a fragment of LLO joined to the TAA of interest. Some *Lm* escape from the phagolysosome via LLO, which forms pores in the membrane of the phagolysosome and allows the *Lm* to escape into the cytosol and secrete antigen-LLO fusion proteins. These fusion protein antigens are presented via the MHC class I pathway to generate activated CD8+ T cells, or killer T cells. The majority of *Lm* are broken down in the phagolysosome and the *Lm* fragments are processed via the MHC class II pathway generating antigen-specific CD4+ T cells, or helper T cells. We believe the activated T cells will then find and infiltrate tumors and destroy the tumor cells. Immunologic tolerance in the tumor microenvironment is mediated by Tregs and MDSC is reduced. Thus we believe *Lm*-LLO immunotherapies may simultaneously stimulate innate and adaptive tumor-specific immunity while simultaneously reducing immune tolerance to tumors. We believe our *Lm*-LLO immunotherapies integrate all four of what we consider to be the essential elements of a cancer immunotherapy into a comprehensive, single, well-tolerated, easy to manufacture and administer immunotherapy.

Research and Development Program

Our Development Pipeline

The following table summarizes the stage of development of our three most advanced clinical drug candidates:

Our first *Lm*-LLO based immunotherapy, ADXS-HPV, uses HPV-E7, an antigen that is present in Human Papilloma Virus (HPV). HPV-associated cancers account for approximately 6-8% of all cancers worldwide, including cervical cancer, head and neck cancers, anal cancer and others. ADXS-PSA is directed against prostate cancer. ADXS-cHER2 is directed against HER2, an antigen found in HER2 overexpressing cancers such as breast, gastric and other cancers, as well as canine osteosarcoma. By varying the antigen, we believe we will be able to create different immunotherapies that may be useful across multiple therapeutic areas and tumor types such as ADXS-PSA for the treatment of prostate cancer and ADXS-cHER2, for the treatment of HER2 over-expressing cancers such as breast, gastric and other human cancers as well as canine osteosarcoma.

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Our most advanced drug candidates in clinical development are ADXS-HPV, ADXS-PSA and ADXS-cHER2:

Immunotherapy	Indication	Stage of Clinical Development
ADXS-HPV	**Cervical Cancer**	**Phase 1** We sponsored and completed in 2007 with 15 patients.
	Cervical Cancer	**Phase 2** We sponsored study, initiated in November 2010 in India in 110 patients with recurrent cervical cancer. We completed enrollment in May 2012 and the last patient visit was in September 2013.
	Cervical Cancer	**Phase 2** The GOG of the NCI is conducting a study in 67 patients with recurrent/refractory cervical cancer. As of September 2013, 13 patients have been enrolled in the safety run-in portion of the study. The study is open group wide to the GOG.
	Head & Neck Cancer	**Phase 1/2** The CRUK is funding a study of 27 patients with head and neck cancer at 3 U.K. sites, and 16 patients have been enrolled in the study as of September 2013.
ADXS-HPV	**Anal Cancer**	**Phase 1/2** The BrUOG is funding and conducting a study in 25 patients with anal cancer at Brown University, M.D. Anderson Cancer Center, Montefiore Medical Center and Boston Medical Center. The study opened for enrollment in December 2012 and 4 patients have been enrolled in the study as of September 2013.
ADXS-PSA	**Prostate Cancer**	**Phase 1** We plan to initiate a Phase 1 study in the first half of 2014.
ADXS-cHER2	**Canine Osteosarcoma**	**Phase 1** We are sponsoring a study of 15 dogs with osteosarcoma. Dosing commenced in July 2012, and 13 dogs have been enrolled in the study as of September 2013.

Overview of Drug Candidates

ADXS-HPV Franchise

Published studies have shown that of the more than 100 strains of HPV, 15 are known to be sexually transmitted high-risk oncogenic types of HPV that are responsible for 5% of all cancers worldwide and 10% of cancers in women. HPV infection can cause cells to become cancerous through the expression of the E6 and E7 genes. According to data extrapolated from the incidence rates reported in the WHO Human Papillomavirus and Related Cancers in the World Summary Report 2010, the worldwide annual incidence of HPV-associated cancers is approximately 527,000 cervical cancer; 99,000 anal cancer, 86,000 penile cancer, 80,000 head and neck cancer, 27,000 vulvar cancer and 13,000 vaginal cancer. Current preventative vaccines cannot protect the 20 million women who are already infected with HPV; and of the high risk oncogenic strains, only HPV 16 and 18 are present in these vaccines. According to a study published by Trimble, et. al. in Lancet Oncology, 80% of sexually active Americans will have contracted at least one strain of HPV by age 50. Challenges with acceptance, accessibility and compliance have resulted in only a third of young women being vaccinated in the United States and even less in other countries around the world. HPV is associated with 99% of cervical cancer, which in late stage is a highly aggressive malignancy with poor prognosis, no standard of care, and for which traditional cancer therapy is ineffective. HPV-associated head and neck cancer is growing at an epidemic rate in western countries; and occurs more frequently (3:1) in men than women due to changes

in sexual practices. HPV is associated with over 25% of head and neck cancers in the United States, the number of HPV-positive head and neck cancer cases has already equaled the number of cases of cervical cancer and continues to increase in frequency and current therapies lead to poor quality of life. HPV

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is associated with over 80% of anal cancers and is also increasing in frequency. Current therapies are toxic and have long-term side effects with no approved therapy for recurrent disease.

ADXS-HPV is an *Lm*-LLO immunotherapy directed against HPV. ADXS-HPV is designed to target cells expressing the HPV gene E7. Expression of the E7 gene from high-risk HPV strains is responsible for the transformation of infected cells into dysplastic and malignant tissues and in the laboratory, was more effective than ADXS vectors targeting HPV E6. Eliminating these cells can eliminate the dysplasia or malignancy. ADXS-HPV is designed to direct antigen-presenting cells to generate powerful innate and cellular immune responses to HPV transformed cells resulting in the infiltration of cytotoxic T cells and attack on tumors. At the same time, we believe ADXS-HPV treatment may cause a reduction in the number and function of immunosuppressive regulatory Tregs and MDSC in the tumors that are protecting tumors from immune attack. ADXS-HPV is being evaluated in four ongoing clinical trials for HPV-associated diseases: recurrent cervical cancer (India), locally advanced cervical cancer (with the GOG, largely underwritten by the NCI, U.S.); head and neck cancer (with the CRUK, U.K.) and anal cancer (BrUOG, U.S.). Our next goal is to conduct Phase 1/2 trials to optimize the dose and schedule of ADXS-HPV, which we believe may further increase efficacy with respect to both clinical response and survival. Additional studies will investigate how best to combine ADXS-HPV with existing cytotoxic treatments. We plan to advance ADXS-HPV through registrational Phase 3 trials and regulatory approval in the United States and relevant markets for the treatment of cervical cancer. We also plan to evaluate ADXS-HPV in Phase 1/2 clinical trials for the treatment of patients with HPV-positive head and neck cancer and HPV-positive anal cancer. Future plans for the ADXS-HPV franchise are contingent upon a number of variables including available resources, types and number of studies, study initiation, patient enrollment, clinical and safety data generated, regulatory interactions and changing competitive landscape.

ADXS-PSA

ADXS-PSA is an *Lm*-LLO immunotherapy directed against prostate-specific antigen, or PSA. ADXS-PSA is designed to target cells expressing PSA. ADXS-PSA secretes the PSA antigen, fused to LLO, directly inside the APC that are cable of driving a cellular immune response to PSA expressing cells. In preclinical analysis, the localized effect is the inhibition of the Treg and MDSC cells that we believe may promote immunologic tolerance of the PSA cancer cells of the tumor. We have conducted a pre-IND, meeting with the FDA to discuss the chemistry, manufacturing and controls, pharmacology, toxicity and clinical plans for ADXS-PSA. We will finalize the toxicology reports and GMP documentation required for the IND we plan to submit to the FDA, and advance ADXS-PSA into a Phase 1 dose escalation trial to determine the maximum dose for the treatment of prostate cancer in early 2014. Future plans for the ADXS-PSA clinical program are contingent upon a number of variables including available resources, types and number of studies, study initiation, patient enrollment, clinical and safety data generated, regulatory interactions and changing competitive landscape.

ADXS-cHER2

ADXS-cHER2 is an *Lm*-LLO immunotherapy for HER2 overexpressing cancers (such as breast, gastric and other cancers in humans and for osteosarcoma in canines). ADXS-cHER2 secretes the cHER2 antigen, fused to LLO, directly inside antigen presenting cells that we believe are capable of driving a cellular immune response to cHER2 overexpressing cells. In preclinical analysis, the localized effect is the inhibition of the Treg and MDSC cells, an effect that we believe will promote immunologic tolerance of the HER2 overexpressing cancer cells of the tumor. We currently are conducting a Phase 1 study in companion dogs evaluating the safety and efficacy of ADXS-cHER2 in the treatment of canine osteosarcoma. Preliminary data has shown encouraging survival in 9 dogs treated with ADXS-cHER2, as compared to 11 untreated dogs, appearing to validate the activity of the platform and providing the rationale to advance into human clinical trials. We plan to meet with the U.S. Department of Agriculture, or USDA, to

discuss the requirements to proceed forward our first immunotherapy in the veterinary market. Future plans for the ADXS-cHER2 program are contingent upon a number of variables including available resources, types and number of studies, study initiation, patient enrollment, clinical and safety data generated, regulatory interactions and changing competitive landscape.

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Recent Clinical Research Developments

We have completed dosing in *Lm*-LLO-E7-15, a Phase 2 randomized trial designed to assess the safety and efficacy of ADXS-HPV ($1x10^9$ cfu) with and without cisplatin (40 mg/m2, weekly x5)). 110 patients were randomized to one of two treatment arms with 55 patients per treatment. The primary endpoint of the study is overall survival.

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As reported at the ASCO Annual Meeting in June 2013, the trial completed enrollment and 110 patients received 264 doses of ADXS11-001. The percentage of patients at 12 months was 36% (39/110) and at 18 months was 22% (16/73). The National Comprehensive Cancer Network Guidelines and/or GOG published studies cite historical 12 month survival data of 0 22% with single agent therapy in recurrent cervical cancer. This study shows 12 month survival of 36% (39/110) and is consistent with an active agent in recurrent cervical cancer:

Landmark Survival

Published Phase 2 single agent trials report 12 months survival of 0 22%*

* NCCN Guidelines:
Plaxe SC, et. al., 2002, Cancer Chemother Pharmacol; 50: 151-4.
Garcia AA, et. al., 2007, Am J Clin Oncol; 30: 428-431.

In June 2013, a data update was presented at the 2013 ASCO Annual Meeting. Abstract # 5529, titled *ADXS11-001 immunotherapy targeting HPV-E7: Preliminary survival data from a P2 study in Indian women with recurrent/refractory cervical cancer*. The presentation described 12 month survival and preliminary 18 month survival and updated safety, tumor response, and survival data as well as histological data for the first time. The data continue to be encouraging and are consistent with the data presented in February 2013. Survival results were not significantly different between treatment groups. Survival outcomes and tumor responses were not affected by ECOG performance status (0 2); type of prior therapy (radiation alone, chemotherapy alone, or a combination of both); or aggressiveness of disease (defined as recurrence ≤2 years from initial diagnosis) versus non-aggressive disease (defined as recurrence >2 years from initial diagnosis).

The most important prognostic factors for overall survival and response rate in cervical cancer have been identified in published reports as: ECOG performance status, number of prior therapies, interval from initial therapy to time of recurrence, and local recurrence compared to distant metastases.

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Prognostic Factors for Overall Survival in Cervical Cancer

Most important prognostic factors for overall survival and response rate are:
ECOG performance status,
Number of prior therapies,
Interval from initial therapy to time of recurrence, and
Local recurrence vs. distant metastases*
* *Monk 2009, JCO*

Tumor responses have been observed in 11% of the patient with both treatment arms with six complete responses, or CR: four in the ADXS alone group; two in the ADXS+ cisplatin treatment arm and six partial responses, or PR; three in the ADXS alone treatment arm; three in the ADXS+ cisplatin treatment arm. 41% (45/110) of patients (33/65) had durable stable disease for at least 3 months as indicated by the orange dashed lines in the waterfall plot below. Activity against different high risk HPV strains beyond HPV 16 and HPV 18 have been observed, including HPV 16, 18, 31, 33 and 45.

***Lm*-LLO-E7-15 Best Response Data**

(as of May 17, 2013)

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ADXS-HPV has been shown to eliminate major tumors as observed in Patient 110-002 below:

Patient 110-002: Major Tumors Eliminated

Patient 110-002 enrolled with 284mm (sum of linear measures) of disease at 10 sites, including liver, lung, and peri-aortic nodes. The patient was previously treated with surgery and radiation (EBRTx25), and recurred within 1 year with metastatic disease. She was randomized to receive ADXS/Cis. At 3 months, she had 84mm of tumor at 5 sites, at 6 months 56mm at 3 sites, at 9 months 34mm at 2 sites, and at 12 months 20mm in a single peri-aortic node not amenable to biopsy.

ADXS-HPV continues to demonstrate a well-tolerated and manageable safety profile with 41% (45/110) of patients reporting predominately cytokine-release syndrome Grade 1 or 2 transient, non-cumulative side effects related/possibly related to ADXS-HPV. Side effects either responded to symptomatic treatment or self-resolved. Less than 2% of patients reported serious adverse events associated with ADXS-HPV. Serious adverse events result in death, are life-threatening, cause significant disability or require inpatient hospitalization.

In April 2013, we announced that we had discontinued our Phase 2 dose escalation study that was being conducted in the United States in 120 patients with cervical intraepithelial neoplasia (CIN) 2/3. The goal of this study was to provide a non-surgical treatment that could replace the current surgical treatment (LEEP) for CIN 2/3. This study commenced in March 2010 to assess the safety and efficacy of ADXS-HPV in women with this pre-cancerous condition. Given that we had no prior experience with ADXS-HPV in otherwise healthy subjects, our strategy was to start with a much lower dose than that used in patients with late-stage cervical cancer.

Cohort 1 received $5x10^7$ cfu, a dose that was 1/20th of the dose that has demonstrated clinical activity in our Phase 2 study in patients with recurrent cervical cancer ($1x10^9$ cfu). Enrollment was completed in this

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Cohort (41 patients) in September 2011 and although statistical significance was not reached, clinical benefit was observed that warranted further investigation. We completed enrollment of the mid-dose Cohort (40 patients) in June 2012 with a dose that was six times higher than Cohort 1 but 1/3 of the $1x10^9$ cfu dose. The data from this Cohort were significantly delayed due to study challenges, one of which was a high rate of discontinuation with 6 patients failing to complete the study. While incomplete, the second Cohort did not demonstrate significant clinical efficacy. In discussions with the investigators and sites, we learned that patients were not compliant with the current route of administration and regimen which consisted of an IV infusion every month for 3 months, as opposed to the standard of care, which is a single surgical office procedure (LEEP) that removes the malignant tissue. This was evident in the high rate of discontinuations in the trial (4 patients in Cohort 1 and 6 patients in Cohort 2). In addition, CIN 2/3 is a localized disease as opposed to a advanced metastatic cancer, and it is not necessary to give a systemic treatment nor is there a tolerance for an IV infusion in this clinical setting.

Based on the findings of Cohorts 1 and 2 and knowledge gained, we elected not to pursue Cohort 3 of the study and to instead evaluate our options for this patient population and indication that may include alternative dosage forms and routes of administration.

In June 2013, we submitted three applications for Orphan Drug Designation with the FDA for ADXS-HPV for use in the treatment of invasive cervical cancer, head and neck cancer and anal cancer, and in August 2013, we received notification that our anal cancer request was granted.

Business Strategy

Our strategy is to maintain and fortify a leadership position in the discovery, acquisition and development of *Lm*-LLO immunotherapies that target for cancer and infectious disease. The fundamental goals of our business strategy include the following:

Be the first immunotherapy company to commercialize a therapeutic HPV-associated oncology drug. Because we believe ADXS-HPV is the most clinically advanced cervical cancer immunotherapy, we aim to fortify our leadership position and be the first to commercialize our *Lm*-LLO immunotherapy for this unmet medical need.

Develop and commercialize ADXS-HPV in multiple HPV-associated cancers. We plan to advance ADXS-HPV through registrational Phase 3 trials and regulatory approval in the United States and relevant markets for the treatment of cervical cancer. If successful, we plan to submit a Biologics License Application, or BLA, to the FDA as the basis for marketing approval in the United States of ADXS-HPV for the treatment of cervical cancer. HPV, the target for ADXS-HPV, is expressed on a wide variety of cancers including cervical, head and neck, anal, vulva, vaginal, and penile. Accordingly, we believe that ADXS-HPV should be active in these HPV-associated cancers and these indications could represent significant market opportunities for ADXS-HPV.

Obtain Orphan Drug Designation with the FDA and the EMEA for ADXS-HPV for use in the treatment of invasive cervical cancer, head and neck cancer and anal cancer. In June 2013, we filed three applications for Orphan Drug Designation for ADXS-HPV with the FDA and one of these applications, for anal cancer, was granted in August 2013. Orphan status is granted by the FDA to promote the development of products that demonstrate promise for the treatment of rare diseases affecting fewer than 200,000 individuals in the United States annually, or more than 200,000 individuals in the United States and for which there is no reasonable expectation that the cost of developing and making a drug or biological product available in the United States for this type of disease or condition will be recovered from sales of the product. Orphan drug designation would entitle our company to a seven-year period of marketing exclusivity in the United States for ADXS-HPV if it is approved by the FDA for the treatment of cervical, head and neck and or anal cancer, and would enable us to apply for research funding, tax credits for certain research

expenses, and a waiver from the FDA s application user fee. Orphan drug status in the European Union has similar but not identical benefits in that jurisdiction.

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Develop ADXS-PSA in prostate cancer. We plan to advance ADXS-PSA into a Phase 1 dose escalation trial to determine the maximum tolerated dose for the treatment of patients with prostate cancer.

Develop scale-up and commercial manufacturing processes. We plan to develop scale-up and commercial manufacturing processes, including the development of a lyophilized dosage form.

Leverage our proprietary drug discovery platform to identify new therapeutic immunotherapies. We intend to utilize our proprietary discovery platform to identify new antigen-associated drug candidates. We may conduct some of these efforts internally and/or leverage our platform to forge strategic collaborations. We have utilized our proprietary drug discovery platform to identify a number of preclinical drug candidates and may initiate studies to support IND submissions either alone or in collaboration with strategic partners. Specifically, we intend to conduct research relating to the development of the next generations of our *Lm*-LLO immunotherapies using new antigens of interest; improving the *Lm*-LLO based platform technology by developing new strains of *Listeria* that may be more suitable as live vaccine vectors; developing bivalent *Lm*-LLO immunotherapies; further evaluating synergy of *Lm*-LLO immunotherapies with cytotoxic therapies and continuing to develop the use of LLO as a component of a fusion protein based immunotherapy. We currently have over 15 distinct immunotherapies in various stages of development, developed directly by us and through strategic collaborations with recognized centers of excellence. These include but are not limited to the following Advaxis immunotherapy and corresponding tumor antigen: ADXS11-001/HPV16-E7, ADXS31-142/Prostate Specific Antigen, ADXS31-164/HER2/neu Chimera, *Lm*-LLO-HMW-MAA/HMW-MAA, C-terminus fragment, *Lm*-LLO-ISG15/ISG15, *Lm*-LLO CD105/Endoglin, *Lm*-LLO-flk/VEGF and Bivalent Therapy, HER-2-Chimera/HMW-MAA-C. We will continue to conduct preclinical research to develop additional *Lm*-LLO constructs to expand our platform technology and may develop additional distinct immunotherapies in the future. Our growth strategy is to expand from the ADXS-HPV franchise into larger cancer indications such as prostate and breast cancer to further validate the robustness and versatility of the platform technology and to develop immunotherapies that we believe to be of interest to big pharmaceutical partners. We also intend to further expand the research and development programs to provide multiple biomarker-specific products with applications across multiple tumor types that express those biomarkers. Additionally, we plan to partner with or acquire a target discovery company, develop multiple constructs targeting numerous biomarker targets to deliver the promise of biomarker driven multi-targeted immunotherapies. The overall goal with each patient is to: biopsy the patient s tumor; identify which biomarkers are expressed; treat the patient with our immunotherapies that hit multiple targets simultaneously, adding in the ability to adjust an individual s immunotherapy over time based on changes in the tumor. We believe that if successful, this has the potential to revolutionize the treatment of cancer.

Enter into commercialization collaborations for ADXS-HPV. If ADXS-HPV is approved by the FDA and other regulatory authorities for first use, we plan to either enter into commercial partnerships, joint ventures, or other arrangements with competitive or complementary companies, including pharmaceutical companies or commercialize these products ourselves in North America and Europe through direct sales and distribution.

Develop commercialization capabilities in India, China, South America, North America and Europe. We believe that the infrastructure required to commercialize our oncology products is relatively limited, which may make it cost-effective for us to internally develop a marketing effort and sales force. If ADXS-HPV is approved by the FDA and other regulatory authorities for first use and we do not enter into commercial partnerships, joint ventures, or other arrangements with competitive or complementary companies, including pharmaceutical companies, we plan to commercialize these products ourselves in North America and Europe through direct sales and distribution. However, we will remain opportunistic in seeking strategic partnerships in these and other markets when advantageous.

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Continue to both leverage and strengthen our intellectual property portfolio. We believe we have a strong intellectual property position relating to the development and commercialization of *Lm*-LLO immunotherapies. We plan to continue to leverage this portfolio to create value. In addition to strengthening our existing intellectual property position, we intend to file new patent applications, in-license new intellectual property and take other steps to strengthen, leverage, and expand our intellectual property position.

Short-Term Strategic Goals and Objectives

During the next 12 months, our strategic goals and objectives include the following:

Complete our Phase 2 clinical study in India of ADXS-HPV in the treatment of recurrent cervical cancer, report final Phase 2 data at the SITC Annual Meeting, optimize the dose and schedule through additional Phase 1/2 trials and finalize the registration strategy;

Conduct an end of Phase 2 meeting with the FDA, draft Phase 3 protocols and submit a Special Protocols Assessment for ADXS-HPV;

Continue to support the Phase 2 clinical trial of ADXS-HPV in the treatment of advanced cervical cancer with the GOG, largely underwritten by the NCI;

Continue our collaboration with the CRUK to support the Phase 1/2 clinical trial of ADXS-HPV in the treatment of head and neck cancer, entirely underwritten by the CRUK;

Initiate an additional Phase 1/2 study in head and neck cancer for ADXS-HPV; seek to conduct Advisory Board with key opinion leaders;

Continue our collaboration with the BrUOG to support the Phase 1/2 clinical trial of ADXS-HPV in the treatment of anal cancer, entirely underwritten by the BrUOG;

Discuss development plan for ADXS-HPV in anal cancer with the FDA in light of Orphan Drug Designation;

Obtain Orphan Drug Designation for two separate indications: the treatment of invasive cervical cancer and the treatment of HPV-positive head and neck cancer;

Continue our collaboration with the School of Veterinary Medicine at Penn to support the Phase 1/2 clinical trial of ADXS-cHER2 in canine osteosarcoma;

Continue to develop and maintain strategic and development collaborations with academic laboratories, clinical investigators and potential commercial partners;

Continue the preclinical analyses and manufacturing activities required to support the IND submission for ADXS-PSA for the treatment of prostate cancer in preparation for a Phase 1 study;

Continue the preclinical development of additional *Lm*-LLO constructs as well as research to expand our platform technology; and

Continue to actively pursue licensing discussions with multiple partners for our immunotherapies, execute definitive license agreement in strategic markets with high HPV prevalence consistent with already established commercial terms.

Recent Developments

Debt Conversion Agreements

In September 2013, we entered into agreements with certain holders of our oustanding indebtedeness to amend the terms of their existing arrangements and provide for repayment thereof or conversion into our securities, as follows:

Moore Notes. On September 26, 2013, we entered into a debt conversion and repayment agreement with Thomas A Moore, a Director of our company and our former Chief Executive Officer, with respect to the repayment and partial conversion of amounts owed to Mr. Moore under outstanding promissory notes issued pursuant to that certain Note Purchase Agreement dated September 22,

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2008, as amended from time to time. We refer to these outstanding notes as the Moore Notes. As provided in the agreement, following the closing of a major financing and uplisting to a major stock exchange, such as this offering: (a) we will pay Mr. Moore $100,000 in cash as partial repayment of the Moore Notes, (b) one-half of the remaining balance (approximately $162,659) will automatically convert at the closing of this offering into the securities being offered and sold in this offering at a conversion price equal to the public offer price, and (c) within three months of the closing of this offering, we will pay Mr. Moore in cash the then remaining outstanding balance under the Moore Notes (after taking into account the $100,000 payment and automatic conversion in our securities). Following the cash payments and partial conversion into our securities, there will no longer be any outstanding balances under the Moore Notes and we will no longer have any obligations under the Moore Notes. Securities received by Mr. Moore upon conversion will be restricted securities and subject to customary lock-up restrictions.

Redwood Bridge Notes. On September 27, 2013, we entered into an exchange agreement with Redwood Management, LLC, with respect to the conversion of amounts owed to Redwood under that certain convertible promissory note with an aggregate principal amount of $277,778 issued to Redwood in June 2013 in a bridge financing. We agreed to issue 125,000 restricted shares of our common stock to Redwood, in exchange for the convertible promissory note. Accordingly, we no longer have any outstanding obligations to Redwood under these bridge financing notes.

We are currently negotiating with the holders of approximately $1,628,000 outstanding principal amount of convertible promissory notes to exchange those outstanding securities for shares of our common stock or new convertible promissory notes that have fixed (rather than variable) conversion prices. There can be no guarantee that we will be successful in agreeing to terms with such holders, and there is a risk that such indebtedness may continue to be outstanding following this offering.

Series B Preferred Redemption

On September 26, 2013, we entered into a Notice of Redemption and Settlement Agreement with Optimus Capital Partners, LLC, a Delaware limited liability company, dba Optimus Life Sciences Capital Partners, LLC, Optimus CG II, Ltd., a Cayman Islands exempted Company and Socius CG II, Ltd., a Bermuda exempted Company, pursuant to which we agreed to redeem our outstanding shares of Series B Preferred Stock. Pursuant to the agreement, we agreed to cancel an outstanding receivable in the amount of $10,633,584 as of the date of the agreement as payment in full of the redemption payment due under the terms of the Series B Preferred Stock and agreed to issue 33,750 shares of our common stock to settle a disagreement regarding the calculation of the settlement amount under a July 2012 Order and Stipulation. In connection with the redemption, we agreed to cancel the outstanding warrant held by Optimus. Accordingly, following such redemption, there are no longer any shares of our Series B Preferred Stock issued and outstanding.

Brio Settlement

On September 18, 2013, we entered into a non-binding settlement agreement with Brio Capital L.P. to settle the remaining claims under our dispute with Brio Capital, L.P. See Business Legal Proceedings for more information.

Termination of Engagement Agreement

On August 19, 2013, we entered into an agreement with a financial advisor to terminate a July 2012 engagement agreement between the parties, pursuant to which the advisor asserted claims for unpaid fees related to the introduction of investors to us and services provided. As consideration for terminating the agreement, we agreed to pay the advisor approximately $589,000 in monthly installment payments in either cash or shares of our common stock, and a 3-year warrant to purchase 30,154 shares of our common stock at an exercise price of $4.90 per share. Additionally, we agreed to pay the advisor $150,000 upon the completion of a contemplated public offering of securities.

New Chief Executive Officer and New Chairman of the Board

At a meeting of the Board held on August 14, 2013, Thomas A. Moore indicated his intent to resign as our Chairman of the Board and President and Chief Executive Officer, or CEO, effective August 19, 2013 in

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line with the previously contemplated succession plan. Mr. Moore will continue to serve on the Board and will act as a consultant to us. In light of Mr. Moore s notification to the Board of his intent to resign as President and CEO and the Board s succession plan, the Board appointed Daniel J. O Connor (formerly Executive Vice President), to the position of President and CEO, effective August 19, 2013. Mr. O Connor s appointment as President and CEO is the outcome of the succession planning initiatives over the past year by Mr. Moore and the Board. The Board also fixed the number of Board members at seven and appointed Mr. O Connor as a Director to fill the newly created vacancy in accordance with our bylaws, all effective August 19, 2013. Mr. O Connor will hold office as a Director until our next annual meeting of stockholders, subject to his earlier resignation or removal. Mr. O Connor has not currently been appointed to any standing committee of the Board. Dr. James Patton, Chairman of the Audit Committee, was elected to serve as Non-Executive Chairman of the Board effective August 19, 2013. We have entered into an employment agreement with Mr. O Connor and a consulting agreement with Mr. Moore, which both took effect on August 19, 2013. For a description of these agreements, see Summary Compensation Table Discussion on Summary Compensation Table.

Orphan Drug Designation

In August 2013, the FDA granted our orphan drug designation request for ADXS-HPV for anal cancer.

Reverse Stock Split and Share Capital Decrease

In July 2013, we amended our Amended and Restated Certificate of Incorporation by the filing of two Certificates of Amendment with the Delaware Secretary of State as follows: (a) on July 11, 2013, to effect a 1-for-125 reverse stock split of our common stock, par value $0.001 per share, to take effect on July 12, 2013 at 4:30 p.m. EDT, and (b) on July 12, 2013, to decrease the total number of authorized shares of our common stock on a post-reverse stock split basis, so that the total number of shares that we have the authority to issue is 30,000,000 shares, of which 25,000,000 shares are common stock and 5,000,000 shares are blank check preferred stock. The reverse stock split was effective at approximately 4:30 p.m. EDT on July 12, 2013, and the share capital decrease took effect thereafter upon filing with the Delaware Secretary of State.

Yenson Company, Ltd. MOU

In April 2013, we signed a memorandum of understanding with FusionVax, which was subsequently re-executed between us and Yenson Company, Ltd., or Yenson. The memorandum of understanding sets out the framework for entry into a definitive agreement to license ADXS-HPV for commercialization in Asia (except India). Under the terms of the memorandum of understanding, we agreed to work towards drafting a definitive agreement that exclusively licenses the rights to ADXS-HPV to Yenson (or NewCo) for the Asia territory, exclusive of India, for all indications. Subject to the entry into a definitive agreement, Yenson will pay us an up-front payment, certain event-based financial milestones, an annual exclusive licensing fee, and an annual net sales royalty in countries with issued patents. In exchange for the up-front payment, we will provide Yenson an equal amount worth of our common stock. Yenson will be responsible for conducting clinical trials and pursuing commercialization of ADXS-HPV in Asia and, in exchange, we will pay Yenson net sales annual royalty on ADXS-HPV in the United States of less than 1%. Yenson, accompanied with Taiwan Biotech Co., Ltd. and several Taiwanese venture capital funds plan to form a new company (NewCo) and transfer all rights to NewCo to execute the obligations and commitments described in the memorandum of understanding. On August 28, 2013, we entered into a Securities Purchase Agreement with Yenson, pursuant to which we issued Yenson 45,353 shares of our common stock and a 3-year warrant to acquire 22,161 shares of our common stock at an exercise price of $2.76 per share for $100,000 in cash.

Our History

We were originally incorporated in the State of Colorado on June 5, 1987 under the name Great Expectations, Inc. In 1999, we became a reporting company under the Exchange Act. We were a publicly-traded shell company without any business until November 12, 2004 when we acquired Advaxis, Inc., a Delaware corporation, through Share Exchange. As a result of such acquisition, Advaxis become our wholly-owned subsidiary and our sole operating company. On December 23, 2004, we amended and restated our articles of incorporation and changed our name to Advaxis, Inc. On June 6, 2006 our stockholders approved the reincorporation of the company from the state of Colorado to the state of Delaware by merging us into its wholly-owned subsidiary. Our date of inception, for financial statement purposes, is March 1, 2002.

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Our statements of income and cash flows disclose our accumulated losses and net cash increases (decreases), respectively since inception. Our principal executive offices are located at 305 College Road East, Princeton, NJ 08540 and our telephone number is (609) 452-9813.

We maintain a website at *www.advaxis.com* that contains descriptions of our technology, our drugs and the trial status of each drug. The information on, or that can be accessed through, our website is not part of this prospectus.

On July 28, 2005 we began trading on the Over-The-Counter Bulletin Board (OTC:BB) under the ticker symbol ADXS.

Collaborations, Partnerships and Agreements

University of Pennsylvania

On July 1, 2002 we entered into an exclusive worldwide license agreement with Penn with respect to the innovative work of Yvonne Paterson, Ph.D., Associate Dean for Research and Professor in the School of Nursing at Penn, and former Professor of Microbiology at Penn, in the area of innate immunity, or the immune response attributed to immune cells, including dendritic cells, macrophages and natural killer cells, that respond to pathogens non-specifically (subject to certain U.S. government rights). This agreement has been amended from time to time and was amended and restated as of February 13, 2007.

This license, unless sooner terminated in accordance with its terms, terminates upon the later of (a) the expiration of the last to expire of the Penn patent rights; or (b) twenty years after the effective date of the license. Penn may terminate the license agreement early upon the occurrence of certain defaults by us, including, but not limited to, a material breach by us of the Penn license agreement that is not cured within 60 days after notice of the breach is provided to us.

The license provides us with the exclusive commercial rights to the patent portfolio developed at Penn as of the effective date of the license, in connection with Dr. Paterson and requires us to pay various milestone, legal, filing and licensing payments to commercialize the technology. In exchange for the license, Penn received shares of our common stock, which currently represent approximately 0.2% of our common stock outstanding on a fully-diluted basis. As of the date of this prospectus, Penn owns 28,468 shares of our common stock. In addition, Penn is entitled to receive a non-refundable initial license fee, license fees, royalty payments and milestone payments based on net sales and percentages of sublicense fees and certain commercial milestones. Under the licensing agreement, Penn is entitled to receive 1.5% royalties on net sales in all countries. Notwithstanding these royalty rates, we have agreed to pay Penn a total of $525,000 over a three-year period as an advance minimum royalty after the first commercial sale of a product under each license (which we are not expecting to begin paying within the next five years). In addition, under the license, we are obligated to pay an annual maintenance fee of $100,000 commencing on December 31, 2010, and each December 31st thereafter for the remainder of the term of the agreement until the first commercial sale of a Penn licensed product. Overall, the amended and restated agreement payment terms reflect lower near term requirements but the savings are offset by higher long term milestone payments for the initiation of a Phase 3 clinical trial and the regulatory approval for the first Penn licensed product. We are responsible for filing new patents and maintaining and defending the existing patents licensed to use and we are obligated to reimburse Penn for all attorneys fees, expenses, official fees and other charges incurred in the preparation, prosecution and maintenance of the patents licensed from Penn.

Furthermore, upon the achievement of the first sale of a product in certain fields, Penn will be entitled to certain milestone payments, as follows: $2.5 million will be due upon the first commercial sale of the first product in the cancer field and $1.0 million will be due upon the date of first commercial sale of a product in each of the secondary strategic fields sold.

As a result of our payment obligations under the license, assuming we have net sales in the aggregate amount of $100.0 million from our cancer products, our total payments to Penn over the next ten years could reach an aggregate of $5.4 million. If over the next 10 years our net sales total an aggregate amount of only $10.0 million from our cancer products, total payments to Penn could be $4.4 million.

As part of the Second Amendment, dated May 10, 2010, we exercised our option for the rights to seven additional patent dockets, including 23 additional patent applications, for (i) an option exercise fee payable in

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the form of $35,000 in cash and $70,000 in our common stock (approximately 3,111 shares of our common stock based on a price of $22.50 per share) and (ii) the assumption of certain historical costs of approximately $462,000 associated with the 23 additional patent applications acquired under the second amendment. As of July 31, 2013, approximately $138,000 of these historical costs remained outstanding.

Strategically, we intend to maintain our relationship with Dr. Paterson and Penn to generate new intellectual property and to exploit all existing intellectual property covered by the license.

Penn is not involved in the management of our company or in our decisions with respect to exploitation of the patent portfolio.

Dr. Yvonne Paterson

Dr. Paterson is the Associate Dean for Research and Professor in the School of Nursing at Penn, and former Professor of Microbiology at Penn, and the inventor of our licensed technology. Dr. Paterson is a fellow of the American Academy for the Advancement of Science, and has been an invited speaker at national and international health field conferences and leading academic institutions. Dr. Paterson has served on many federal advisory boards, such as the NIH expert panel to review primate centers, the Office of AIDS Research Planning Fiscal Workshop and the Allergy and Immunology NIH Study Section. She has written over one hundred publications in the areas of HIV, AIDS and cancer research. Dr. Paterson has trained over forty post-doctoral and doctoral students in the fields of Biochemistry and Immunology.

In the past we have entered into consulting agreements with Dr. Paterson, providing for compensation through cash payments and equity awards. Currently, we do not have a written agreement in place, but Dr. Paterson continues to consult with us on a regular basis, and we intend to continue to compensate Dr. Paterson in cash, equity awards, or a combination thereof as we deem appropriate from time to time.

Recipharm Cobra Biologics Limited (formerly Cobra Biomanufacturing PLC)

We outsource the manufacture and supply of our cervical cancer immunotherapy ADXS-HPV to Recipharm Cobra Biologics Limited, or Cobra. We began this partnership in July 2003. Cobra has extensive experience in manufacturing gene therapy and manufactures and supplies biologic therapeutics for the pharmaceutical and biotech industry. We currently have two agreements with Cobra; one to conduct ongoing stability testing of the ADXS-HPV immunotherapy that they have manufactured, and another to provide analytic services and certification necessary to import ADXS-HPV for use in the United Kingdom head and neck cancer study mentioned below.

Vibalogics GmbH

In April 2008, we entered into a series of agreements with Vibalogics GmbH in Cuxhaven Germany to provide fill and finish services for our final clinical materials that were made for our scheduled clinical trials described above. These agreements cover the fill and finish operations as well as specific tests required in order to release the clinical drug supplies for human use. We have entered into agreements with Vibalogics to produce two *Lm*-LLO immunotherapies, ADXS-PSA and ADXS-cHER2 for research and/or clinical development. As of July 31, 2013, approximately $263,000 in invoices from Vibalogics GmbH remained outstanding. In April 2013, we entered into a settlement agreement with Vibalogics for payment of past-due amounts and intend to use a portion of the proceeds from this offering to pay down amounts owing to Vibalogics. See Use of Proceeds.

Numoda Corporation

On June 19, 2009, we entered into a Master Agreement and on July 8, 2009 we entered into a Project Agreement with Numoda Corporation, which we refer to as Numoda, a leading clinical trial and logistics management company, to oversee Phase 2 clinical activity with ADXS-HPV for the multicenter Phase 2 U.S. trial of ADXS-HPV in CIN 2/3 and to act as our U.S. CRO for the multicenter Phase 2 study of ADXS-HPV in recurrent cervical cancer being conducted in India. The scope of the Project Agreement covers over three years, with an estimated cost of approximately $12.2 million for both trials. In May 2010, we issued 28,000 shares of common stock to Numoda Capital at a price per share of $21.25 in satisfaction of $595,000 of services rendered to us by Numoda. As of July 31, 2013, we have paid Numoda approximately $7.6 million for clinical trial activities. The Master Agreement with Numoda terminated on June 12, 2012.

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The Project Agreement with Numoda continues until the project that is the subject of such agreement is completed, unless earlier terminated in accordance with the Master Agreement with Numoda.

On June 13, 2012, we entered into a stock purchase agreement with Numoda, pursuant to which we issued to Numoda 120,000 shares of our common stock at a purchase price per share of $18.75, in exchange for the immediate cancellation of $2,250,000 of accounts receivables owed by us to Numoda pursuant to the Master Agreement.

National Cancer Institute Gynecologic Oncology Group

On December 13, 2009, we entered into an agreement for GOG to conduct a multicenter, Phase 2 clinical trial of ADXS-HPV, our *Lm*-LLO based immunotherapy targeted to HPV, in 67 patients with recurrent or refractory cervical cancer who have failed prior cytotoxic therapy. This Phase 2 trial is being underwritten by GOG and will be conducted by GOG investigators. This patient population is similar to the patient population in the cervical cancer study being conducted in India as well as the patients in the Phase 1 trial of ADXS-HPV. Under this Clinical Trial Services Agreement, we are responsible for covering the costs of translational research and agreed to pay a total of $8,003 per patient, with the majority of the costs of this study underwritten by GOG. This agreement shall continue in force until we receive completed case histories for all participants in the clinical trial and questions about data submitted have been resolved, unless terminated earlier upon the occurrence of certain events, including, but not limited to, the FDA imposing a permanent hold on the drug which is subject to the clinical trial, a material breach by us of the agreement that is not cured within a reasonable time period after notice of the breach is provided to us, or sixty days prior written notice by either party for any reason. As of September 2013, 13 patients are enrolled in the study.

Cancer Research U.K.

On February 9, 2010, Cancer Research U.K. (CRUK), the U.K. organization dedicated to cancer research, agreed to fund the cost of a clinical trial to investigate the use of ADXS-HPV, our *Lm*-LLO based immunotherapy targeted to HPV, for the treatment of head and neck cancer. This Phase 1/2 clinical trial will investigate the safety and efficacy of ADXS-HPV 6 weeks post-treatment with surgery, radiotherapy and chemotherapy alone or in combination in head and neck cancer patients. We will provide the study drug, with all other associated costs to be funded by CRUK. The study is to be conducted at 3 sites in the United Kingdom (Aintree Hospital at the University of Liverpool, The Royal Marsden Hospital in London and Cardiff Hospital at the University of Wales). As of September 2013, Aintree Hospital has enrolled 16 patients into the study.

School of Veterinary Medicine at Penn

On August 17, 2010, we entered into a clinical trial agreement with the School of Veterinary Medicine at Penn to investigate the use of ADXS-cHER2 for the treatment of canine osteosarcoma in 15 dogs. This study commenced dosing in July of 2012 and 13 dogs have been enrolled and dosed as of August 2013.

Georgia Health Sciences University Cancer Center

On March 20, 2012, we announced the continuation of our collaboration with Dr. Samir N. Khleif, the former Chief of the Vaccines Section at the National Cancer Institute, at his new position as Director of the Georgia Health Sciences University Cancer Center in Augusta, Georgia. Dr. Khleif and his laboratory will continue to elaborate the molecular immunologic mechanisms by which live, attenuated strains of *Lm* can effect therapeutic changes in cancer and other diseases.

Brown University Oncology Group

In January 2013, we entered into an agreement with The Miriam Hospital, an affiliate of Brown University Oncology Group (BrUOG), to evaluate the safety and effectiveness of ADXS-HPV when combined with standard chemotherapy and radiation treatment for anal cancer. BrUOG will fund and conduct a Phase 1/2 study of ADXS-HPV in 25 patients with anal cancer at Brown University, M.D. Anderson Cancer Center, Montefiore Medical Center, Boston Medical Center, and other sites. Four patients have been enrolled in the study as of September 2013.

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Intellectual Property

Protection of our intellectual property is important to our business. We have a robust and extensive patent portfolio that protects our core technology, new constructs, inventions, and improvements. Currently, our patent portfolio includes 41 issued patents and 35 pending patent applications. All of these patents and patent applications are assigned from Penn with the exception of 11 pending patent applications, which are owned by our company. We continuously add to this portfolio by filing applications to protect our ongoing research and development efforts. We aggressively prosecute and defend our patents and proprietary technology and have successfully defended critical patents in the European Patent Court. Our material patents that cover the use, methods, and compositions of our *Lm*-LLO immunotherapies for certain constructs including, but not limited to, ADXS-HPV, ADXS-PSA, and ADXS-cHER2, expire at various dates between 2013 and 2024, prior to available patent extensions.

Some of the key patents acquired from Penn are for the development of preclinical constructs. In 2011, we licensed a patent pertaining to antigen ISG-15 from Penn, which has been investigated as an effective immunological target for the treatment of a number of different cancers in animal models, including ovarian, colon, breast and other cancers. Other licensed patents include *Lm*-LLO immunotherapies that were found in a number of animal models to have the ability to induce therapeutic Th-1 immune responses, a response that can enhance effectiveness of immunotherapies. We have also been issued patents that protect a new strain of *Listeria* as an improvement over the strain currently in clinical testing that is more attenuated, more immunogenic and does not contain an antibiotic resistance gene.

Our approach to the intellectual property portfolio is to create significant offensive and defensive patent protection for every immunotherapy and technology platform that we develop. We endeavor to maintain a coherent and aggressive strategic approach to building our patent portfolio with an emphasis in the field of cancer vaccines.

We successfully defended our intellectual property concerning our *Lm*-based technology by contesting a challenge made by Anza Therapeutics, Inc., which we refer to as Anza, to our patent position in Europe on a claim not available in the United States. The European Patent Office, which we refer to as the EPO, Board of Appeals in Munich, Germany ruled in favor of the Trustees of Penn and us, Penn s exclusive licensee, and reversed a patent ruling that revoked a technology patent that had resulted from an opposition filed by Anza. The ruling of the EPO Board of Appeals is final and cannot be appealed. The granted claims, the subject matter of which was discovered by Dr. Yvonne Paterson, are directed to the method of preparation and composition of matter of recombinant bacteria expressing tumor antigens for the treatment of patients with cancer.

The successful development of our immunotherapies will include our ability to create and maintain intellectual property related to our drug candidates.

Material patents currently underlying the license agreement with Penn are shown in the following table.

Title	Expiration	Product Candidate	Jurisdiction
Specific Immunotherapy of Cancer Using a Live Recombinant Bacterial Vaccine Vector	18-Apr-2017	All ADXS product candidates, including ADXS-HPV, ADXS-HER2, ADXS-PSA	United States, Germany, Switzerland, France, Ireland, UK, Belgium, Japan, Canada
	03-Nov-2015		United States

Live, Recombinant Listeria *Monocytogenes* and Production of Cytotoxic T-Cell Response		All ADXS product candidates, including ADXS-HPV, ADXS-HER2, ADXS-PSA	
Methods and Compositions for Immunotherapy of Cancer	08-Nov-2014	All ADXS product candidates, including ADXS-HPV, ADXS-HER2, ADXS-PSA	United States

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Title	Expiration	Product Candidate	Jurisdiction
Fusion of Non-Hemolytic, Truncated Form of Listeriolysin O to Antigens to Enhance Immunogenicity	2-Aug-2020	All ADXS product candidates, including ADXS-HPV, ADXS-HER2, ADXS-PSA	United States, Germany, France, Great Britain Israel, European Union
Compositions and Methods for Enhancing Immunogenicity of Antigens	2-Aug-2020	All ADXS product candidates, including ADXS-HPV, ADXS-HER2, ADXS-PSA	United States, Germany, France European Union, Israel
Compositions and Methods for Enhancing Immunogenicity of Antigens	15-Nov-2023	All ADXS product candidates, including ADXS-HPV, ADXS-HER2, ADXS-PSA	United States
Methods and Compositions for Immunotherapy of Cancer	08-Nov-2014	All ADXS product candidates, including ADXS-HPV, ADXS-HER2, ADXS-PSA	United States
Compositions and Methods for Enhancing Immunogenicity of Antigens	29-Mar-2020	All ADXS product candidates, including ADXS-HPV, ADXS-HER2, ADXS-PSA	United States
Immunogenic Compositions Comprising DAL/DAT Double-Mutant, Auxotrophic, Attenuated Strains of *Listeria* and their Methods of Use	18-Nov-2017	ADXS-PSA and ADXS-HER	United States
Isolated Nucleic Acids Comprising *Listeria* DAL and DAT Genes	18-Nov-2017	ADXS-PSA and ADXS-HER	United States
Isolated Nucleic Acids Comprising *Listeria* DAL and DAT Genes	18-Nov-2017	ADXS-PSA and ADXS-HER	United States
Immunogenic Compositions Comprising DAL/DAT Double Mutant, Auxotrophic Attenuated Strains of Listeria and their Methods of Use	31-Jan-2020	ADXS-PSA and ADXS-HER	United States
Methods and Compositions for Immunotherapy of Cancer	13-Jul-2016	ADXS-HER2	United States
Listeria-based and LLO-based Vaccines	24-Sep-2024	ADXS-HER2	United States

Governmental Regulation

The Drug Development Process

The FDA requires that pharmaceutical and certain other therapeutic products undergo significant clinical experimentation and clinical testing prior to their marketing or introduction to the general public. Clinical testing, known as clinical trials or clinical studies, is either conducted internally by pharmaceutical or biotechnology companies or is conducted on behalf of these companies by Clinical Research Organizations, which we refer to as

CROs.

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The process of conducting clinical studies is highly regulated by the FDA, as well as by other governmental and professional bodies. Below, we describe the principal framework in which clinical studies are conducted, as well as describe a number of the parties involved in these studies.

Protocols. Before commencing clinical studies, the sponsor of an investigational new drug must typically receive governmental and institutional approval. In the United States, Federal approval is obtained by submitting an IND to the FDA and amending it for each new proposed study. The clinical research plan is known in the industry as a *protocol*. A protocol is the blueprint for each drug study. The protocol sets forth, among other things, the following:

Criteria for subject or patient inclusion/exclusion;
Dosing requirements and timing;
Tests to be performed; and
Evaluations and data assessment.

Institutional Review Board (Ethics Committee). An institutional review board is an independent committee of professionals and lay persons which reviews clinical research studies involving human beings and is required to adhere to guidelines issued by the FDA. The institutional review board does not report to the FDA and its members are not appointed by the FDA, but its records are audited by the FDA. All clinical studies must be approved by an institutional review board. The institutional review board is convened by the site or institution where the protocol will be conducted and its role is to protect the rights of the subjects and patients in the clinical studies. It must approve the protocols to be used and then oversee the conduct of the study, including oversight of the communications which we or the CRO conducting the study at that specific site proposes to use to recruit subjects or patients, and the informed consent form which the subjects or patients will be required to sign prior to their enrollment in the clinical studies.

Clinical Trials. Human clinical studies or testing of an investigational new drug prior to FDA approval are generally done in three stages known as Phase 1, Phase 2, and Phase 3 testing. The names of the phases are derived from the CFR 21 that regulates the FDA. Generally, there are multiple studies conducted in each phase.

Phase 1. Phase 1 studies involve testing an investigational new drug on a limited number of patients. Phase 1 studies determine a drug s basic safety, maximum tolerated dose and how the drug is absorbed by, and eliminated from, the body. This phase lasts an average of six months to a year. Typically, cancer therapies are initially tested on late stage cancer patients.

Phase 2. Phase 2 trials involve larger numbers of patients that have been diagnosed with the targeted disease or condition. Phase 2 testing typically lasts an average of one to three years. In Phase 2, the drug is tested to determine its safety and effectiveness for treating a specific disease or condition. Phase 2 testing also involves determining acceptable dosage levels of the drug. If Phase 2 studies show that an investigational new drug has an acceptable range of safety risks and probable effectiveness, a company will continue to evaluate the investigational new drug in Phase 3 studies.

Phase 3. Phase 3 studies involve testing even larger numbers of patients, typically several hundred to several thousand patients. The purpose is to confirm effectiveness and long-term safety on a large scale. These studies generally last two to six years. Given the larger number of patients required to conduct Phase 3 studies, they are generally conducted at multiple sites and often times in multiple countries.

Biologic License Application. The results of the clinical trials using biologics are submitted to the FDA as part of Biologic License Application, which we refer to as BLA. Following the completion of Phase 3 studies, if the Sponsor of a potential product in the United States believes it has sufficient information to support the safety and effectiveness of the investigational new drug, the Sponsor submits a BLA to the FDA requesting that the investigational new drug

be approved for sale. The application is a comprehensive, multi-volume filing that includes the results of all preclinical and clinical studies, information about the drug s composition, and the Sponsor s plans for manufacturing, packaging, labeling and testing the investigational new drug. The FDA s review of an application is designated either as a standard review with a target review

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time of 10 months or a priority review with a target of 6 months. Depending upon the completeness of the application and the number and complexity of requests and responses between the FDA and the Sponsor, the review time can take months to many years, with the mean review lasting 13.1 months. Once approved, drugs and other products may be marketed in the United States, subject to any conditions imposed by the FDA.

The drug approval process is time-consuming, involves substantial expenditures of resources, and depends upon a number of factors, including the severity of the illness in question, the availability of alternative treatments, and the risks and benefits demonstrated in the clinical trials.

Orphan Drug Designation

Under the Orphan Drug Act, the FDA may grant orphan designation to a drug or biological product intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the United States, or more than 200,000 individuals in the United States and for which there is no reasonable expectation that the cost of developing and making a drug or biological product available in the United States for this type of disease or condition will be recovered from sales of the product. If a sponsor demonstrates that a drug is intended to treat a rare disease or condition, the FDA grants orphan drug designation to the product for that use. The benefits of orphan drug designation can obtain substantial incentives, including research and development tax credits and exemption from user fees, enhanced access to advice from the FDA while the drug is being developed, and market exclusivity once the product reaches approval and begins sales, provided that the new product is first to market. In order to qualify for these incentives, a company must apply for designation of its product as an Orphan Drug and obtain approval from the FDA. Orphan product designation does not convey any advantage in or shorten the duration of the regulatory review and approval process. A drug that is approved for the orphan drug designated indication is granted seven years of orphan drug exclusivity. During that period, the FDA generally may not approve any other application for the same product for the same indication, although there are exceptions, most notably when the later product is shown to be clinically superior to the product with exclusivity.

In June 2013, we submitted three applications for Orphan Drug Designation with the FDA for ADXS-HPV for use in the treatment of invasive cervical cancer, head and neck cancer and anal cancer and in August 2013, our request for anal cancer to be designated an orphan drug was granted.

Orphan drug status in the European Union has similar but not identical benefits in that jurisdiction. The applicable exclusivity period, for example, is ten years in Europe, and can be reduced to six years if the drug no longer meets the criteria for orphan drug designation or if the drug is sufficiently profitable so that market exclusivity is no longer justified.

Non-U.S. Regulation

Before our products can be marketed outside the United States, they are subject to regulatory approval of the respective authorities in the country in which the product should be marketed. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary widely from country to country. No action can be taken to market any product in a country until an appropriate application has been approved by the regulatory authorities in that country. The current approval process varies from country to country, and the time spent in gaining approval varies from that required for FDA approval. In certain countries, the sales price of a product must also be approved. The pricing review period often begins after market approval is granted. Even if a product is approved by a regulatory authority, satisfactory prices might not be approved for such product.

In Europe, marketing authorizations may be submitted at a centralized, a decentralized or national level. The centralized procedure is mandatory for the approval of biotechnology products and provides for the grant of a single marketing authorization that is valid in all European Union member states. As of January 1995, a mutual recognition procedure is available at the request of the applicant for all medicinal products that are not subject to the centralized procedure. There can be no assurance that the chosen regulatory strategy will secure regulatory approvals on a timely basis or at all.

While we intend to market our products outside the United States in compliance with our respective license agreements, we have not made any applications with non-U.S. authorities. Our current business strategy, however,

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includes filing three applications to request Orphan Drug Designation with the EMEA for ADX-HPV for use in the treatment of invasive cervical cancer, head and neck cancer and anal cancer.

Manufacturing

The FDA requires that any drug or formulation to be tested in humans be manufactured in accordance with its GMP regulations. This has been extended to include any drug that will be tested for safety in animals in support of human testing. The GMPs set certain minimum requirements for procedures, record-keeping and the physical characteristics of the laboratories used in the production of these drugs.

We have entered into agreements with Cobra and Vibalogics for the manufacture of a portion of our immunotherapies. Both companies have extensive experience in manufacturing gene therapy products for investigational studies. Both companies are full service manufacturing organizations that manufacture and supply biologic based therapeutics for the pharmaceutical and biotech industry. These services include cell banking, GMP manufacturing and stability testing.

Our agreements with Vibalogics cover the manufacture of GMP material for two immunotherapies ADXS-PSA, an *Lm*-LLO immunotherapy for the treatment of prostate cancer, and ADXS-cHER2, an *Lm*-LLO immunotherapy for the treatment of HER2 overexpressing cancers (such as breast, gastric and other cancers and for canine osteosarcoma).

Our agreement with Cobra covers GMP manufacturing in several stages, including process development, manufacturing of non-GMP material for toxicology studies and manufacturing of GMP material for the Phase 1 and Phase 2 trials.

Competition

The biotechnology and biopharmaceutical industries are characterized by rapid technological developments and a high degree of competition. As a result, our actual or proposed immunotherapies could become obsolete before we recoup any portion of our related research and development and commercialization expenses. The biotechnology and biopharmaceutical industries are highly competitive, and this competition comes from both biotechnology firms and from major pharmaceutical companies, including: Aduro Biotech, Agenus Inc., Bristol-Myers Squibb, Celgene Corporation, Celldex Therapeutics, Dendreon Corporation, Inovio Pharmaceutical Inc., Oncolytics Biotech Inc., Oncothyreon Inc., et al., each of which is pursuing cancer vaccines and/or immunotherapies.

Many of these companies have substantially greater financial, marketing, and human resources than we do (including, in some cases, substantially greater experience in clinical testing, manufacturing, and marketing of pharmaceutical products). We also experience competition in the development of our immunotherapies from universities and other research institutions and compete with others in acquiring technology from such universities and institutions. In addition, certain of our immunotherapies may be subject to competition from investigational new drugs and/or products developed using other technologies, some of which have completed numerous clinical trials.

Our competition will be determined in part by the potential indications for which drugs are developed and ultimately approved by regulatory authorities. Additionally, the timing of market introduction of some of our potential immunotherapies or of competitors products may be an important competitive factor. Accordingly, the speed with which we can develop immunotherapies, complete preclinical testing, clinical trials and approval processes and supply commercial quantities to market are expected to be important competitive factors. We expect that competition among products approved for sale will be based on various factors, including product efficacy, safety, reliability, availability,

price and patent position.

Employees

As of September 27, 2013, we had 14 employees, all of which were full time employees. None of our employees is represented by a labor union, and we consider our relationship with our employees to be good.

Because we intend to continue to outsource many functions, we do not anticipate any significant increase in the number of employees in the clinical area and the research and development area to support clinical requirements, and in the general and administrative and business development areas over the next two years, even as we expand our research and development activities.

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Description of Property

Our corporate offices are currently located at 305 College Road East, Princeton, New Jersey 08540. On April 1, 2011, we entered into a Sublease Agreement for such office, which is an approximately 10,000 square foot leased facility in Princeton, NJ approximately 12 miles south of our prior location. The agreement has a termination date of November 29, 2015.

On March 13, 2013, we entered into a modification of the Sublease Agreement whereby all unpaid accrued lease amounts and future lease amounts through June 30, 2013, which we estimated to be approximately $450,000, would be satisfied by a payment in total of $200,000, with $100,000 paid on March 13, 2013 and $100,000 payable upon the consummation of a future capital raising transactions. Accordingly, we intend to use proceeds from this offering to pay this obligation. See Use of Proceeds. In addition, lease payments for the period July 1, 2013 through November 30, 2015 was reduced to a total of $20,000 per month.

Legal Proceedings

On March 22, 2013, we were notified that a lawsuit against Advaxis had been filed by Brio Capital L.P., which we refer to as Brio, in the Supreme Court of the State of New York, County of New York, titled *Brio Capital L.P. v. Advaxis Inc.*, Case No. 651029/2013, which we refer to as the Action. The complaint in the Action alleges, among other things, that Advaxis breached the terms of certain warrants to purchase shares of our common stock that we originally issued to Brio on October 17, 2007 and on June 18, 2009, each at an initial exercise price of $25.00 per share, and that Brio has suffered damages as a result thereof. Brio s complaint seeks (i) a preliminary and permanent injunction directing us to issue to Brio 21,742 shares of our common stock, along with the necessary corporate resolutions and legal opinions to enable Brio to sell such common stock publicly without restriction; and (ii) damages of at least $500,000 (in an amount to be determined at trial), along with interest, costs and attorneys fees related to the Action. On April 15, 2013, in partial settlement of the Brio lawsuit, we issued 21,742 shares of common stock and provided certain corporate resolutions and legal opinions necessary to enable Brio Capital L.P. to sell such common stock publicly without restriction. On September 18, 2013, we entered into a non-binding settlement agreement with Brio Capital L.P. to settle the remaining claims under the Action, which agreement will become binding only when approved by the court at a fairness hearing. Under the non-binding agreement, we agreed to issue Brio Capital L.P. $250,000 in shares of our common stock based on a volume weighted average price and Brio Capital L.P. agreed to trading restrictions in respect of such shares of our common stock. Prior to the fairness hearing, we may pay Brio Capital L.P. in cash. The non-binding agreement is null and void if the application for the fairness hearing is not made prior to November 11, 2013 and if the hearing does not occur on or before November 30, 2013, among other items.

In addition to the foregoing, we are from time to time involved in legal proceedings in the ordinary course of our business. We do not believe that any of these claims and proceedings against us is likely to have, individually or in the aggregate, a material adverse effect on our financial condition or results of operations.

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MANAGEMENT

The following are our current executive officers and directors and their respective ages and positions as of September 27, 2013:

Name	Age	Position
Executive Officers		
Daniel J. O Connor	48	Chief Executive Officer, President and Director
Mark J. Rosenblum	60	Chief Financial Officer, Senior Vice President and Secretary
Robert G. Petit	53	Chief Scientific Officer, Executive Vice President
Chris L. French	55	Executive Director of Medical Affairs, Vice President
Non-Employee Directors		
Dr. James Patton	55	Chairman of the Board
Roni Appel	46	Director
Richard Berman	70	Director
Dr. Thomas McKearn	64	Director
Thomas A. Moore	62	Director
Dr. David Sidransky	53	Director

Executive Officers

Daniel J. O Connor. Mr. O Connor joined our company on January 1, 2013, as our Senior Vice President, Corporate Development and Chief Legal Officer and was appointed our Executive Vice President effective May 3, 2013 and our Chief Executive Officer and President effective August 19, 2013. Mr. O Connor also joined the Board of Directors on August 19, 2013. Mr. O Connor has 15 years of executive, legal, and regulatory experience in the biopharmaceutical industry with ImClone Systems, PharmaNet (now Inventive Health Clinical) and Bracco Diagnostics. Joining ImClone in 2003, Mr. O Connor supported the clinical development, launch, and commercialization of ERBITUX(R). As ImClone s senior vice president, general counsel, and secretary, he played a key role in resolving numerous issues facing ImClone, including extensive licensing negotiations, in advance of the company being sold to Eli Lilly and Company in 2008. Prior to joining ImClone, Mr. O Connor was PharmaNet s general counsel and instrumental in building the company from a start-up contract research organization to an established world leader in clinical research. Mr. O Connor was also a criminal prosecutor in New Jersey and gained leadership experience as a Captain in the U.S. Marines, serving in the Persian Gulf in 1990. Most recently, from 2009 to 2013, Mr. O Connor was the vice president and general counsel of Bracco Diagnostics, a large private pharmaceutical and medical device company. Mr. O Connor s extensive background in the biopharmaceutical industry, as well as legal, executive and regulatory experience make him particularly qualified to serve as our director.

Mark J. Rosenblum. Effective as of January 5, 2010, Mr. Rosenblum joined our company as our Chief Financial Officer, Senior Vice President and Secretary. From August 1985 through June 2003, Mr. Rosenblum was employed by Wellman, Inc., a public chemical manufacturing company. Between 1996 and 2003, Mr. Rosenblum was the Chief Accounting Officer, Vice President and Controller at Wellman, Inc. Mr. Rosenblum was the Chief Financial Officer of HemobioTech, Inc., a public company primarily engaged in the commercialization of human blood substitute technology licensed from Texas Tech University, from April 1, 2005 until December 31, 2009. Mr. Rosenblum holds both a Masters in Accountancy and a B.S. degree from the University of South Carolina. Mr. Rosenblum is a certified public accountant.

Robert G. Petit, Ph.D. Dr. Petit joined our company in October 2010 and was appointed Chief Scientific Officer effective May 3, 2013 and named an Executive Vice President on August 19, 2013. Dr. Petit has 25 years of experience in all medical and scientific aspects of pharmaceutical development with a particular focus on immunotherapy for cancer. His diverse professional experience includes discovery, translational development, selection of candidate drugs, licensing due diligence, design and conduct of complete U.S. and international clinical development programs from preclinical through Phase 4. He has designed, planned, and executed U.S. and global clinical development programs for 13 drugs, three immunotherapies, two cellular immunotherapies, and five therapeutic vaccine programs. He has experience with five New Drug Application/Biologic License Application filings and significant regulatory interactions

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with FDA/Health Ministries. He has held several INDs and has been awarded several U.S. and international patents. His industry experience has been gained within large pharma, mid-sized specialty pharma, and small biopharma. Dr. Petit joined Advaxis from Bristol-Myers Squibb, where he served from December 2005 to October 2010 as the U.S. Medical Lead for Yervoy (Ipilimumab), Director of Medical Strategy for New Oncology Products, and Director of Global Clinical Research. Before Bristol Myers-Squibb, Robert was the Vice President of Clinical Development at both MGI Pharma and Aesgen Inc., following several years within the Pharmacia organization. Dr. Petit co-founded the Cancer Immunotherapy Program at St. Luke s Hospital in Milwaukee and was Assistant Professor of Pathology and Laboratory Medicine at the University of Wisconsin Medical School. Dr. Petit received his doctorate from the Ohio State University College of Medicine in Immunology and Medical Microbiology with a focus on Viral Oncology.

Chris L. French, MBA. Ms. French joined our company in June 2011 and is our Executive Director of Medical Affairs and was named Vice President in August 2013. Ms. French joined us from Bristol Myers-Squibb where she was U.S. Director of Oncology Scientific Communications and medical strategy lead in U.S. Oncology Medical Affairs New Products from November 2007 to April 2011. Ms. French has over 20 years of basic science research and pharmaceutical experience in drug development in start-up, midsize and large pharmaceutical companies. She has held management positions in medical affairs, regulatory affairs, scientific communications, drug development, and business development. Prior to BMS, Ms. French was the Senior Director of Program Management at MGI Pharma; Vice President of Regulatory and Scientific Affairs at Aesgen and the Director of the Dermatology Business Unit at Atrix, Inc.

Non-Employee Directors

Dr. James P. Patton. Dr. Patton has served as a member of our Board of Directors since our business combination with Great Expectations and Associates, Inc. in November 2004 and as Chairman of our Board of Directors from November 2004 until December 31, 2005 and again since August 19, 2013. Dr. Patton was the Chief Executive Officer of Great Expectations and Associates, Inc. from February 2002 to November 2002. Since February 1999, Dr. Patton has been the Vice President of Millennium Oncology Management, Inc., which provides management services for radiation oncology care to four sites. Dr. Patton has been a trustee of Dundee Wealth US, a mutual fund family, since October 2006. He is a founder and has been chairman of VAL Health, LLC, a health care consultancy, from 2011 to the present. In addition, he was President of Comprehensive Oncology Care, LLC since 1999, a company that owned and operated a cancer treatment facility in Exton, Pennsylvania until its sale in 2008. From February 1999 to September 2003, Dr. Patton also served as a consultant to LibertyView Equity Partners SBIC, LP, a venture capital fund based in Jersey City, New Jersey. From July 2000 to December 2002, Dr. Patton served as a director of Pinpoint Data Corp. From February 2000 to November 2000, Dr. Patton served as a director of Healthware Solutions. From June 2000 to June 2003, Dr. Patton served as a director of LifeStar Response. He earned his B.S. from the University of Michigan, his Medical Doctorate from Medical College of Pennsylvania, and his M.B.A. from Penn s Wharton School. Dr. Patton was also a Robert Wood Johnson Foundation Clinical Scholar. He has published papers regarding scientific research in human genetics, diagnostic test performance and medical economic analysis. Dr. Patton s experience as a trustee and consultant to funds that invest in life science companies provide him with the perspective from which we benefit. Additionally, Dr. Patton s medical experience and service as a principal and director of other life science companies make Dr. Patton particularly qualified to serve as our director.

Roni A. Appel. Mr. Appel has served as a member of our Board of Directors since November 2004. He was our President and Chief Executive Officer from January 1, 2006 and Secretary and Chief Financial Officer from November 2004, until he resigned as our Chief Financial Officer on September 7, 2006 and as our President, Chief Executive Officer and Secretary on December 15, 2006. From December 15, 2006 to December 2007, Mr. Appel

served as a consultant to us. Mr. Appel currently is a self-employed consultant. Previously, he served as Chief Executive Officer of Anima Cell Metrology Ltd., from 2008 through January 31, 2013. From 1999 to 2004, he was a partner and managing director of LV Equity Partners (f/k/a LibertyView Equity Partners). From 1998 until 1999, he was a director of business development at Americana Financial Services, Inc. From 1994 to 1998, he was an attorney and completed his MBA at Columbia University. Mr. Appel s longstanding service with us and his entrepreneurial investment career in early stage biotech businesses qualify him to serve as our director.

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Richard J. Berman. Mr. Berman has served as a member of our Board of Directors since September 1, 2005. Richard Berman s business career spans over 35 years of venture capital, senior management and merger & acquisitions experience. In the past 5 years, Mr. Berman has served as a director and/or officer of over a dozen public and private companies. From 2006 to 2011, he was Chairman of National Investment Managers, a company with $12 billion in pension administration assets. In 2012, he became vice chairman of Energy Smart Resources, Inc. From 1998 to 2012, Mr. Berman served as a Director of Easy Link Int l. Mr. Berman is currently a director of three public companies: Advaxis, Inc., Neostem, Inc. (since 2005), and Lustros, Inc. (since 2012). From 1998 to 2000, he was employed by Internet Commerce Corporation (now Easylink Services) as Chairman and CEO. Previously, Mr. Berman worked at Goldman Sachs; was Senior Vice President of Bankers Trust Company, where he started the M&A and Leveraged Buyout Departments; created the largest battery company in the world in the 1980s by merging Prestolite, General Battery and Exide to form Exide Technologies (XIDE); helped to create what is now Soho (NYC) by developing five buildings; and advised on over $4 billion of M&A transactions (completed over 300 deals). He is a past Director of the Stern School of Business of NYU where he obtained his B.S. and M.B.A. He also has US and foreign law degrees from Boston College and The Hague Academy of International Law, respectively. Mr. Berman s extensive knowledge of our industry, his role in the governance of publicly held companies and his directorships in other life science companies qualify him to serve as our director.

Dr. Thomas J. McKearn. Dr. McKearn has served as a member of our Board of Directors since our business combination with Great Expectations and Associates, Inc. in November 2004. Dr. McKearn served as a director of Great Expectations and Associates, Inc. between July 2002 and November 2004. He brings more than 30 years of experience in the translation of biotechnology science into oncology products. As one of the founders of Cytogen Corporation in 1981 and later its Chief Executive Officer, an Executive Director of Strategic Science and Medicine at Bristol-Myers Squibb, then for ten years, from April 2002 to August 2012, at Agennix, Inc. (formerly GPC-Biotech) as VP of Medical Affairs and later as the VP of Strategic Clinical Affairs, and now as the President, Research & Development at Onconova since September 2012, he has worked to bring the most innovative laboratory findings into the clinic and through the FDA regulatory process for the benefit of cancer patients who need better ways to cope with their afflictions. Prior to entering the biotechnology industry in 1981, Dr. McKearn received his medical, graduate and post-graduate training at the University of Chicago and served on the faculty of the Medical School at the University of Pennsylvania. Dr. McKearn s experience in managing life science companies, his knowledge of medicine and his commercialization of biotech products qualify him to serve as our director.

Thomas A. Moore. Mr. Moore was appointed to our Board of Directors as an independent director in September 2006 served as our Chief Executive Officer and Chairman of the Board from December 2006 through August 19, 2013. Previously, from June 2002 to June 2004, Mr. Moore was President and Chief Executive Officer of Biopure Corporation, a developer of oxygen therapeutics that are intravenously administered to deliver oxygen to the body s tissues. From 1996 to November 2000, he was President and Chief Executive Officer of Nelson Communications. Previously, Mr. Moore had a 23-year career with the Procter & Gamble Company in multiple managerial positions, including President of Health Care Products where he was responsible for prescription and over-the-counter medications worldwide, and group vice president of the Procter & Gamble Company. Mr. Moore s extensive business, managerial, executive and leadership experience in the healthcare industry make him particularly qualified to serve as our director.

On September 14, 2005, a civil action captioned Securities & Exchange Commission v. Biopure Corp. et al., No. 05-11853-PBS (D. Mass.) was filed alleging that Mr. Moore made and approved misleading public statements about the status of FDA regulatory proceedings concerning a product manufactured by his former employer, Biopure Corp. Mr. Moore vigorously defended the action. On December 11, 2006, the SEC and Mr. Moore jointly sought a continuance of all proceedings based upon a tentative agreement in principle to settle the SEC action. The SEC s Commissioners approved the terms of the settlement, and the court formally adopted the settlement. Under the terms

of settlement, Mr. Moore paid a $120,000 fine to the SEC.

Dr. David Sidransky. Dr. David Sidransky has served as a member of our Board of Directors since July 2013. Dr. Sidransky is also the Director of the Head and Neck Cancer Research Division at Johns Hopkins University School of Medicine and is a Professor of Oncology, Otolaryngology Head and Neck Surgery, Cellular & Molecular Medicine, Urology, Genetics, and Pathology at Johns Hopkins University and Hospital.

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In the field of oncology, Dr. Sidransky is one of the most highly-cited researchers in clinical and medical journals in the world, with over 400 peer-reviewed publications in the past decade. He has also contributed to more than 60 cancer reviews and chapters. Dr. Sidransky is a founder of a number of biotechnology companies and holds numerous biotechnology patents. He has served as Vice Chairman of the Board of Directors of ImClone Systems, Inc., a global biopharmaceutical company committed to advancing oncology care, and was a director, until its merger with Eli Lilly. Dr. Sidransky remains Chairman of Tamir Biotechnology, and Chairman of Champions Oncology, Inc., and serves on the Boards of Directors of KV Pharmaceutical Company and Rosetta Genomics. Dr. Sidransky is serving and has served on scientific advisory boards of MedImmune, Roche, Amgen and Veridex, LLC (a Johnson & Johnson diagnostic company), among others. From 2005 to 2008, Dr. Sidransky served as Director of the American Association for Cancer Research (AACR) and was the Chairperson of the first and second (September 2006 and 2007) AACR International Conferences on Molecular Diagnostics in Cancer Therapeutic Development: Maximizing Opportunities for Individualized Treatment. Dr. Sidransky is the recipient of many awards and honors, including the 1997 Sarstedt International Prize from the German Society of Clinical Chemistry, the 1998 Alton Ochsner Award Relating Smoking and Health by the American College of Chest Physicians, and the 2004 Hinda and Richard Rosenthal Award from the AACR. Dr. Sidransky is certified in Internal Medicine and Medical Oncology by the American Board of Medicine. Dr. Sidransky received his bachelor s degree from Brandeis University and his medical degree from the Baylor College of Medicine. Dr. Sidransky s extensive medical background and biotechnology experience, combined with his leadership role at a prominent academic institution and role as a director at other public companies make Dr. Sidransky particularly qualified to serve as our director.

Director Independence

In accordance with the disclosure requirements of the SEC, and because the OTCQB Marketplace, does not have its own rules for director independence, we have adopted The NASDAQ Stock Market listing standards for independence effective April 2010. Although we are not presently listed on any national securities exchange, each of our directors, other than Messrs. O Connor and Moore, is independent in accordance with the definition set forth in the rules of The NASDAQ Stock Market. Each current member of each of our Board committees (other than our Research and Development Committee) is an independent director under The NASDAQ Stock Market standards applicable to such committees. The Board considered the information included in transactions with related parties as outlined below along with other information the Board considered relevant, when considering the independence of each director.

Audit Committee

The Audit Committee of our Board of Directors is currently composed of three directors, all of whom satisfy the independence and other standards for Audit Committee members under the rules of The NASDAQ Stock Market (although our securities are not listed on The NASDAQ Stock Market but are quoted on the OTCQB Marketplace). For fiscal 2012, the Audit Committee was composed of Mr. Berman and Dr. Patton, with Mr. Berman serving as the Audit Committee s financial expert as defined under Item 407 of Regulation S-K of the Securities Act of 1933, as amended, which we refer to as the Securities Act. Mr. Appel was appointed to the Audit Committee in August 2013.

The Audit Committee operates under a written Audit Committee Charter, which is available to stockholders on our website at *http://www.advaxis.com/investors/corporate-governance/.*

Compensation Committee

The Compensation Committee of our Board of Directors currently consists of Messrs. Appel and Berman and Dr. Sidransky. For fiscal 2012, the Compensation Committee was composed of Mr. Berman and Dr. McKearn. In August 2013, our Board appointed the current members.

The Compensation Committee operates under a written Compensation Committee Charter, which is available to stockholders on our website at *http://www.advaxis.com/investors/corporate-governance/.*

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Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee of our Board of Directors currently consists of Mr. Berman and Dr. Patton. For fiscal 2012, the Nominating and Corporate Governance Committee was composed of Mr. Berman and Mr. Moore. Dr. Patton was appointed to replace Mr. Moore on this Committee in April 2013.

The Nominating and Corporate Governance Committee operates under a written Nominating and Corporate Governance Committee Charter, which is available to stockholders on our website at *http://www.advaxis.com/investors/corporate-governance/.*

Research and Development Committee

The Research and Development Committee was established in August 2013 with the purpose of providing advice and guidance to the Board on scientific and medical matters and development. The Research and Development Committee currently consists of Dr. Sidransky (Chairman), Dr. McKearn and Mr. Moore. The Research and Development Committee operates under a written charter, which is available on our web-site at *http://www.advaxis.com/investor/corporate-governance/.*

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EXECUTIVE AND DIRECTOR COMPENSATION

Summary Compensation Table

The following table sets forth the information as to compensation paid to or earned by our then Chief Executive Officer and our two other most highly compensated executive officers during the fiscal years ended October 31, 2012 and 2011. These individuals are referred to in this proxy statement as our named executive officers. As none of our named executive officers received non-equity incentive plan compensation or nonqualified deferred compensation earnings during the fiscal years ended October 31, 2012 and 2011, we have omitted those columns from the table.

Name and Principal Position	Fiscal Year	Salary	Bonus	Stock Award(s)	Option Award(s)[1]	All Other Compensation	Total
Thomas A. Moore, Former CEO and Chairman[a]	2012	$350,000			$592,000[6]	$43,985[2]	$985,985
	2011	$350,000				$21,294[2]	$371,294
Dr. John Rothman, Former Executive VP of Science & Operations[b]	2012	$275,000		$30,000[3]	$444,000[7]	$33,516[4]	$782,516
	2011	$275,000	$83,000	$30,000[3]	$	$34,665[4]	$422,665
Mark J. Rosenblum Chief Financial Officer	2012	$250,000		$	$310,800[8]	$21,335[5]	$582,135
	2011	$250,000	$72,000	$		$19,211[5]	$341,211

(a) Mr. Moore resigned as CEO and Chairman (but remains a Director) effective August 19, 2013. We have also entered into a consulting agreement with Mr. Moore effective August 19, 2013.

(b) On March 6, 2013, we announced the departure of Dr. John Rothman effective March 1, 2013 Dr. Rothman will continue to assist us as a consultant for a period of one year.

(1) The amounts shown in this column represent the fair value on grant date determined by multiplying the number of options granted by the closing price of our common stock on the date of grant in accordance with ASC 718. The grant date values have been determined based on the assumptions and methodologies set forth in the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2012 (Note 11, Stock Options).

(2) Based on our cost of Mr. Moore s coverage for health care and interest received by Mr. Moore for the Moore Notes.

(3) Represents $30,000 of base salary paid in shares of our common stock in lieu of cash, based on the average monthly stock price.

(4) Based on our cost of Dr. Rothman s coverage for health care and the 401K company match he received.

(5) Based on our cost of Mr. Rosenblum s coverage for health care.

(6) In the fiscal year ended October 31, 2012, we granted stock options to purchase 32,000 shares of our common stock to Mr. Moore in connection with services he performed. The material terms of this grant are described below under the heading Discussion of Summary Compensation Table.

(7) In the fiscal year ended October 31, 2012, we granted stock options to purchase 24,000 shares of our common stock to Dr. Rothman in connection with services he performed. The material terms of this grant are described below under the heading Discussion of Summary Compensation Table.

(8) In the fiscal year ended October 31, 2012, we granted stock options to purchase 16,800 shares of our common stock to Mr. Rosenblum in connection with services he performed. The material terms of this grant are described below under the heading Discussion of Summary Compensation Table.

Discussion of Summary Compensation Table

O Connor Employment Agreement. On August 19, 2013, we entered into an employment agreement with Daniel J. O Connor in connection with his appointment as our President and Chief Executive Officer, which took effect as of such date. The employment agreement provides for an initial term of three years, after which it will be automatically renewed for one year periods unless otherwise terminated by us or Mr. O Connor upon 90 days written notice. Pursuant to the terms of the employment agreement, Mr. O Connor is entitled to a base salary of $295,000 per year (plus annual cost-of-living adjustments), which salary will be reviewed on an annual basis. As provided in the agreement, the Compensation Committee

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elected to pay 75% of this salary in restricted stock units under the Plan so long as there is capacity under the Plan (prior to this appointment, Mr. O Connor received approximately 75% of his compensation in the form of stock awards). Mr. O Connor is also eligible to receive an annual bonus of 10-50% of his base salary, which amount, if any, will be determined by the Compensation Committee of the Board of Directors based on achievement of certain goals to be established by such committee and Mr. O Connor at the beginning of each fiscal year. The employment agreement also contemplates payment of a one-time bonus in an amount to be determined by the Compensation Committee prior to September 30, 2013, if we close a financing greater than $15,000,000 during the initial three-year term of the agreement (such as the offering contemplated hereby). We may elect to pay 50% of this one-time bonus in shares of its common stock. Mr. O Connor remains eligible to participate in our benefit plans and receive grants of stock options and other awards under our 2011 Omnibus Incentive Plan, is entitled to 4 weeks of vacation and sick leave, as well as reimbursement of reasonable expenses incurred in fulfilling his duties under the agreement. The employment agreement grants Mr. O Connor the right to participate in future capital raises at a 15% discount to the applicable offering price (or conversion price) of shares offered to investors during such capital raise or offering.

In the event Mr. O Connor s employment is terminated without Just Cause, or if he voluntarily resigns with Good Reason, or if his employment is terminated due to disability (all as defined in the employment agreement), and so long as Mr. O Connor executes a confidential separation and release agreement, in addition to the applicable base salary, plus any accrued but unused vacation time and unpaid expenses that have been earned as of the date of such termination, Mr. O Connor is entitled to the following: 12-months of base salary and continued health and welfare benefits, full vesting of all stock options and extension of the exercise period for such stock options by two years, the issuance of all earned but unissued shares of common stock, and removal of all restrictive legends on shares that qualify for such treatment under Rule 144 of the Securities and Exchange Act of 1934 within 10 business days of the presentation of such shares to the transfer agent.

Mr. O Connor s employment agreement also contains customary covenants regarding non-solicitation, non-compete, confidentiality and works for hire.

In September 2013, the Compensation Committee fixed the amount of Mr. O Connor s one-time transaction bonus at $88,500 and elected to pay 50% of this bonus in restricted stock units. Additionally, the Compensation Committee determined not to pay any portion of Mr. O Connor s salary in restricted stock units at this time.

Moore Employment Agreement and Option Agreements. We were party to an employment agreement with Mr. Moore, dated as of August 21, 2007 (memorializing an oral agreement dated December 15, 2006) through August 19, 2013, that provided that he would serve as our Chairman of the Board and Chief Executive Officer for an initial term of two years.

Under the terms of his former employment agreement, Mr. Moore was entitled to receive a base salary of $350,000 per year, subject to annual review for increases by our Board of Directors in its sole discretion. The agreement also provided that Mr. Moore was entitled to receive family health insurance at no cost to him. Mr. Moore s former employment agreement did not provide for the payment of a bonus.

During fiscal 2012, on November 8, 2011, we granted Mr. Moore options to purchase 32,000 shares of our common stock. Each option is exercisable at $18.50 per share. These options vest over a three year period beginning one year from the grant date.

Moore Consulting Agreement. In connection with Mr. Moore s resignation as Chairman of the Board and as CEO and President, we entered into a consulting agreement with Mr. Moore, which took effect as of August 19, 2013. Under the consulting agreement, Mr. Moore will assist the development of our veterinary program and perform the duties

assigned by the CEO, the Chairman of the Board and/or Board of Directors related to strategic planning and business development, or any other matter so delegated. Mr. Moore is required to be able to commit at least 20 hours per week to his consulting duties under the agreement. The consulting agreement provides for an initial term of one year, after which it terminate unless we notify Mr. Moore of our intent to renew prior to the expiration of the initial

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term, following which it will be renewed upon such terms and conditions as we may mutually agree. If we elect to continue beyond the initial term, either we or Mr. Moore may terminate at any time for any reason with or without cause upon 90 days written notice.

Pursuant to the terms of the consulting agreement, Mr. Moore is entitled to: (i) annualized compensation of $350,000 (payable monthly, with the first payment due September 20, 2013), with 12% per annum interest accruing on payments not made in accordance with the agreed terms; (ii) reimbursement for any COBRA costs, (iii) a one-time $100,000 payment if we close a financing greater than $5,000,000 during the initial term of the agreement (which one-time payment may be increased to $429,076.59 at our discretion if the financing exceeds $15,000,000), which amounts are to be in repayment of the Moore Notes, (iv) be treated as non-employee Director for purposes of attendance fees under our Director compensation program (but not for purposes of the annual retainer), (v) receive a one-time grant of 30,000 options under the our 2011 Omnibus Incentive Plan (the Plan) on or around November 1, 2013, and be considered in Continuous Service for purposes of his outstanding option awards under the Plan (as such term is defined in the Plan) and (v) reimbursement of reasonable documented travel expenses as contemplated by the consulting agreement.

The consulting agreement also provides that if we close any financing equal to or greater than $15,000,000 but do not fully satisfy our cumulative outstanding financial obligations, if any, to Mr. Moore as described above, then we must pay the remaining balance of any such outstanding financial obligations on the earlier of: (i) six months from the date of closing; or (ii) upon the completion of an underwritten financing (not currently contemplated). However, in September 2013, Mr. Moore entered into a debt conversion and repayment agreement with our company whereby we agreed to a different repayment schedule. See Certain Relationships and Related Transactions Thomas Moore.

Following Mr. Moore s termination of his engagement as a consultant as provided in the agreement, Mr. Moore is entitled to payment of any earned or accrued but unpaid compensation and, provided that Mr. Moore executes a separation agreement and general release, a one-time lump sum $350,000 disengagement payment, subject to all applicable withholdings and deductions.

The consulting agreement provides for the termination of Mr. Moore s employment agreement described above, and provides that upon termination of that employment agreement, Mr. Moore shall receive (i) accrued but unused vacation time, (ii) reimbursement of reasonable documented expenses incurred and (iii) accrued salary prior, all of which are payable in accordance with the schedule provided in the agreement.

Mr. Moore s consulting agreement also contains customary covenants regarding non-solicitation, non-compete, confidentiality, works for hire, non-disparagement, as well as a general release of liability of our company for claims, including any claims for a default on Mr. Moore s outstanding notes, that accrued prior to the date of execution of the consulting agreement.

Rothman Employment Agreement and Option Agreements. On March 6, 2013, we announced the departure of Dr. John Rothman effective March 1, 2013. Dr. Rothman will continue to assist us as a consultant for a period of one year. Dr. Rothman s 2011 and 2012 salary was $305,000, consisting of $275,000 in cash and $30,000 in stock, payable in our common stock, based on the average closing stock price. We also granted Dr. Rothman options to purchase shares of our common stock pursuant to our equity compensation programs. During fiscal 2012, on November 8, 2011, we granted Dr. Rothman options to purchase 24,000 shares of our common stock. Each option is exercisable at $18.50 per share. These options vest over a three year period beginning one year from the grant date. In connection with Mr. Rothman s departure, we agreed to vest all 62,480 options outstanding and that all such options would expire February 28, 2016.

Rothman Separation Agreement. On March 20, 2013, we entered into a Separation Agreement and General Release with Dr. Rothman, pursuant to which Dr. Rothman released us from all claims and agreed to continue to assist us as a consultant until February 28, 2014 in exchange for (i) being compensated on an hourly basis for certain project assignments as requested by us, (ii) receiving an aggregate of approximately $275,000, paid in installments over the course of the one year consulting period, and (iii) all of the options to purchase shares of our common stock held by Dr. Rothman being fully vested with the exercise period of such options being extended until March 1, 2015.

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Rosenblum Compensation. Mr. Rosenblum serves as our Chief Financial Officer, Senior Vice President and Secretary. In fiscal 2012, his salary was $250,000 per annum, with a discretionary bonus of up to 30% of his base compensation awarded annually in March beginning in 2011. We also granted Mr. Rosenblum options to purchase shares of our common stock pursuant to our equity compensation programs. During fiscal 2012, on November 8, 2011, we granted Mr. Rosenblum options to purchase 16,800 shares of our common stock. Each option is exercisable at $18.50 per share. These options vest over a three year period beginning one year from the grant date.

On September 4, 2013, we entered into an employment agreement with Mr. Rosenblum, which took effect as of such date. The employment agreement provides for an initial term of one year, after which it will be automatically renewed for one year periods unless otherwise terminated by us or Mr. Rosenblum upon 90 days written notice. Pursuant to the terms of the employment agreement, Mr. Rosenblum is entitled to a base salary of $275,000 per year (plus annual cost-of-living adjustments), which salary will be reviewed on an annual basis. The Compensation Committee and Mr. Rosenblum agreed to have 7.5% of this salary paid in restricted stock units under the Plan for so long as there is capacity under the Plan. Mr. Rosenblum is also eligible to receive an annual bonus of 10-50% of his base salary, which amount, if any, will be determined by the Compensation Committee based on achievement of certain goals to be established by such committee and Mr. Rosenblum at the beginning of each fiscal year. The employment agreement also contemplates payment of a one-time bonus in an amount to be determined by September 30, 2013, in the sole discretion of the Compensation Committee if we close a financing greater than $15,000,000 during the initial one-year term of the agreement. We may elect to pay 50% of this one-time bonus in shares of our common stock. Mr. Rosenblum remains eligible to participate in our benefit plans and receive grants of stock options and other awards under our 2011 Omnibus Incentive Plan, is entitled to four weeks of vacation and sick leave, as well as reimbursement of reasonable expenses incurred in fulfilling his duties under the agreement. The employment agreement grants Mr. Rosenblum the right to participate in future capital raises at a 15% discount to the applicable offering price (or conversion price) of shares offered to investors during such capital raise or offering.

In the event Mr. Rosenblum s employment is terminated without Just Cause, or if he voluntarily resigns with Good Reason, or if his employment is terminated due to disability (all as defined in the employment agreement), and so long as Mr. Rosenblum executes a confidential separation and release agreement, in addition to the applicable base salary, plus any accrued but unused vacation time and unpaid expenses that have been earned as of the date of such termination, Mr. Rosenblum is entitled to the following: 12-months of base salary and continued health and welfare benefits, full vesting of all stock options and extension of the exercise period for such stock options by two years, the issuance of all earned but unissued shares of common stock, and removal of all restrictive legends on shares that qualify for such treatment under Rule 144 of the Securities and Exchange Act of 1934 within 10 business days of the presentation of such shares to the transfer agent.

In September 2013, the Compensation Committee fixed the amount of Mr. Rosenblum s one-time transaction bonus at $96,250 and elected to pay 50% of this bonus in restricted stock units. Additionally, the Compensation Committee determined not to pay any portion of Mr. Rosenblum s salary in restricted stock units at this time.

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Outstanding Equity Awards at Fiscal Year-End

The following table provides information about the number of outstanding equity awards held by our named executive officers at October 31, 2012. There are no outstanding stock awards, only outstanding option awards.

	Option Awards				
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date
Thomas A. Moore	20,000[(1)]			12.50	7/21/19
	19,200			Foreign Currency Risk	

The Fund's investment performance may be negatively affected by a devaluation of a currency in which the Fund's investments are denominated or quoted. Further, the Fund's investment performance may be significantly affected, either positively or negatively, by currency exchange rates because the U.S. dollar value of securities denominated or quoted in another currency will increase or decrease in response to changes in the value of such currency in relation to the U.S. dollar. Foreign currency rates may fluctuate significantly over short periods of time for various reasons, including changes in interest rates, inflation, balance of payments, governmental surpluses or deficits, intervention or non-intervention by U.S. or foreign governments, central banks or supranational entities, the imposition of currency controls and political developments in the U.S. and abroad. The Adviser may, but is not required to, elect for the Fund to seek to protect itself from changes in currency exchange rates through hedging transactions depending on market conditions. There can be no assurance that such strategies will be available or will be used by the Fund or, if used, will be successful. Certain countries, particularly emerging market countries, may impose foreign currency exchange controls or other restrictions on the repatriation, transferability or convertibility of currency.

Financial Leverage Risk

The Fund employs Financial Leverage through the issuance of Indebtedness and/or the use of reverse repurchase agreements. The Adviser anticipates that the use of Financial Leverage may result in higher income to Common Shareholders over time; however, there can be no assurance that the Adviser's expectations will be realized or that a leveraging strategy will be successful in any particular time period. Use of Financial Leverage creates an opportunity for increased income and capital appreciation but, at the same time, creates special risks. Leverage is a speculative technique that exposes the Fund to greater risk and increased costs than if it were not implemented. There can be no assurance that a leveraging strategy will be utilized or will be successful.

The use of leverage by the Fund will cause the net asset value, and possibly the market price, of the Fund's Common Shares to fluctuate significantly in response to changes in interest rates and other economic indicators. As a result, the net asset value and market price and dividend rate of the Common Shares of the Fund is likely to be more volatile than those of a closed-end management investment company that is not exposed to leverage. In a declining market the use of leverage may result in a greater decline in the net asset value of the Common Shares than if the Fund were not leveraged.

Financial Leverage will increase operating costs, which may reduce total return. The Fund will have to pay interest on its Indebtedness, if any, which may reduce the Fund's return. This interest expense may be greater than the Fund's return on the underlying investment, which would negatively affect the performance of the Fund. Increases in interest rates that the Fund must pay on its Indebtedness will increase the cost of leverage and may reduce the return to Common Shareholders. This risk may be greater in the current market environment because interest rates are near historically low levels.

Certain types of Indebtedness subject the Fund to covenants in credit agreements relating to asset coverage and portfolio composition requirements. Certain Indebtedness issued by the Fund also may be subject to certain restrictions on investments imposed by guidelines of one or more NRSROs, which may issue ratings for such Indebtedness. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed by the 1940 Act. It is not anticipated that these covenants or guidelines will impede the Adviser from managing the Fund's portfolio in accordance with the Fund's investment objective and policies.

Reverse repurchase agreements involve the risks that the interest income earned on the investment of the proceeds will be less than the interest expense and Fund expenses associated with the repurchase agreement, that the market value of the securities sold by the Fund may decline below the price at which the Fund is obligated to repurchase such securities and that the securities may not be returned to the Fund. There is no assurance that reverse repurchase agreements can be successfully employed. Dollar roll transactions involve the risk that the market value of the securities the Fund is required to purchase may decline below the agreed upon repurchase price of those securities. Successful use of dollar rolls may depend upon the Adviser's ability to correctly predict interest rates and prepayments. There is no assurance that dollar rolls can be successfully employed. In connection with reverse repurchase agreements and dollar rolls, the Fund will also be subject to counterparty risk with respect to the purchaser of the securities. If the broker/dealer to whom the Fund sells securities becomes insolvent, the Fund's right to purchase or repurchase securities may be restricted.

The Fund may have Financial Leverage outstanding during a shorter-term period during which such Financial Leverage may not be beneficial to the Fund if the Fund believes that the long-term benefits to Common Shareholders of such Financial Leverage would outweigh the costs and portfolio disruptions associated with redeeming and reissuing such Financial Leverage. However, there can be no assurance that the Fund's judgment in weighing such costs and benefits will be correct.

During the time in which the Fund is utilizing Financial Leverage, the amount of the fees paid to the Adviser for investment advisory services will be higher than if the Fund did not utilize Financial Leverage because the fees paid will be calculated based on the Fund's Managed Assets, including proceeds of Financial Leverage. This may create a conflict of interest between the Adviser and the Common Shareholders, as holders of Indebtedness, Preferred Shares or other forms of Financial Leverage do not bear the investment advisory fee. Rather, Common Shareholders bear the portion of the investment advisory fee attributable to the assets purchased with the proceeds of Financial Leverage, which means that Common Shareholders effectively bear the entire advisory fee. In order to manage this conflict of interest, the Board of Trustees will receive regular reports from the Adviser regarding the Fund's use of

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Financial Leverage and the effect of Financial Leverage on the management of the Fund's portfolio and the performance of the Fund.

In addition, the Fund may engage in certain derivatives transactions that have economic characteristics similar to leverage. To the extent the terms of any such transaction obligate the Fund to make payments, the Fund intends to earmark or segregate cash or liquid securities in an amount at least equal to the current value of the amount then payable by the Fund under the terms of such transactions or otherwise cover such transactions in accordance with applicable interpretations of the staff of the SEC. To the extent the terms of any such transaction obligate the Fund to deliver particular securities to extinguish the Fund's obligations under such transactions, the Fund may "cover" its obligations under such transaction by either (i) owning the securities or collateral underlying such transactions or (ii) having an absolute and immediate right to acquire such securities or collateral without additional cash consideration (or, if additional cash consideration is required, having earmarked or segregated cash or liquid securities). Securities so segregated or designated as "cover" will be unavailable for sale by the Adviser (unless replaced by other securities qualifying for segregation or cover requirements), which may adversely affect the ability of the Fund to pursue its investment objective.

Recent economic and market events have contributed to severe market volatility and caused severe liquidity strains in the credit markets. If dislocations in the credit markets continue, the Fund's Financial Leverage costs may increase and there is a risk that the Fund may not be able to renew or replace existing Financial Leverage on favorable terms or at all. If the cost of Financial Leverage is no longer favorable, or if the Fund is otherwise required to reduce its Financial Leverage, the Fund may not be able to maintain distributions on Common Shares at historical levels and Common Shareholders will bear any costs associated with selling portfolio securities.

Equity Securities Risk

Common equity securities prices fluctuate for a number of reasons, including changes in investors' perceptions of the financial condition of an issuer, the general condition of the relevant stock market and broader domestic and international political and economic events. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. The value of a particular common stock held by the Fund may decline for a number of other reasons which directly relate to the issuer, such as management performance, financial leverage, the issuer's historical and prospective earnings, the value of its assets and reduced demand for its goods and services. In addition, common stock prices may be particularly sensitive to rising interest rates, as the cost of capital rises and borrowing costs increase. The prices of common equity securities are also sensitive to general movements in the stock market, so a drop in the stock market may depress the prices of common stocks and other equity securities to which the Fund has exposure. While broad market measures of common stocks have historically generated higher average returns than debt securities, common stocks have also experienced significantly more volatility in those returns. Common equity securities in which the Fund may invest are structurally subordinated to preferred stock, bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and are therefore inherently more risky than preferred stock or debt instruments of such issuers. Dividends on common equity securities which the Fund may hold are not fixed but are declared at the discretion of an issuer's board of directors. There is no guarantee that the issuers of the common equity securities in which the Fund invests will declare dividends in the future or that, if declared, they will remain at current levels or increase over time.

Mid-Cap And Small-Cap Company Risk

Investing in the securities of medium-sized or small market capitalizations ("mid-cap" and "small-cap" companies, respectively) presents some particular investment risks. Mid-cap and small-cap companies may have limited product

lines and markets, as well as shorter operating histories, less experienced management and more limited financial resources than larger companies, and may be more vulnerable to adverse general market or economic developments. Securities of mid-cap and small-cap companies may be less liquid than those of larger companies, and may experience greater price fluctuations than larger companies. In addition, mid-cap or small-cap company securities may not be widely followed by investors, which may result in reduced demand.

Options Risk

There are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether,

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when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events.

As the writer of a call option on a security held in the Fund's portfolio (commonly known as a "covered" call option), the Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security covering the call option above the sum of the premium and the strike price of the call, but retains the risk of loss (net of the premium received) should the price of the underlying security decline. As the Fund writes covered calls over more of its portfolio, its ability to benefit from capital appreciation becomes more limited.

There are special risks associated with uncovered option writing (i.e. writing options on securities not held in the Fund's portfolio, on indices or on exchange traded funds comprised of such securities or that track such indices), which expose the Fund to potentially significant loss. As the writer of an uncovered call option, the Fund has no risk of loss should the price of the underlying security or index decline, but bears unlimited risk of loss should the price of the underlying security or index increase above the exercise price.

The value of options written by the Fund, which will be priced daily, will be affected by, among other factors, changes in the value of underlying securities (including those comprising an index), changes in the dividend rates of underlying securities, changes in interest rates, changes in the actual or perceived volatility of the stock market and underlying securities and the remaining time to an option's expiration. The value of an option also may be adversely affected if the market for the option is reduced or becomes less liquid.

There are significant differences between the securities and options markets that could result in an imperfect correlation between these markets, causing a given transaction not to achieve its objectives. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. To the extent that there is a lack of correlation between the index options written by the Fund and the Fund's portfolio securities, movements in the indexes underlying the options positions may result in losses to the Fund, which may more than offset any gains received by the Fund from options premiums. In these and other circumstances, the Fund may be required to sell portfolio securities to satisfy its obligations as the writer of an index call option, when it would not otherwise choose to do so, or may choose to sell portfolio securities to realize gains to supplement Fund distributions. Such sales would involve transaction costs borne by the Fund and may also result in realization of taxable capital gains, including short-term capital gains taxed at ordinary income tax rates, and may adversely impact the Fund's after-tax returns.

As the writer of a call option on securities indices, exchange-traded funds ("ETFs") and baskets of securities, which may include securities that are not held by the Fund, the Fund may be subject to additional risks than writing covered call options. The purchaser of an index option written by the Fund has the right to any appreciation in the cash value of the index over the strike price on the expiration date. The purchaser of an index option written by the Fund has the right to any appreciation in the cash value of the index over the strike price on the expiration date. Therefore, as the writer of a covered index call option, the Fund forgoes the opportunity to profit from increases in the index over the strike price of the option. However, the Fund has retained the risk of loss (net of premiums received) should the price of the index decline. Similarly, as the writer of a covered call option on a security or basket of securities held in the Fund's portfolio, the Fund forgoes, during the option's life, the opportunity to profit from increases in the market value of the security or securities covering the call option above the sum of the premium and the exercise price of the call but has retained the risk of loss (net of premiums received) should the price of the underlying security decline. As the writer of an uncovered call option, the Fund has no risk of loss should the price of the underlying security or index decline, but bears unlimited risk of loss should the price of the underlying security or index increase above the exercise price.

With respect to exchange-traded options, there can be no assurance that a liquid market will exist when the Fund seeks to close out an option position on an options exchange. An absence of a liquid secondary market on an exchange may arise because: (i) there may be insufficient trading interest in certain options; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or The Options Clearing Corporation (the "OCC") may not at all times be adequate to handle current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the

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trading of options (or a particular class or series of options). If trading were discontinued, the secondary market on that exchange (or in that class or series of options) would cease to exist. However, outstanding options on that exchange that had been issued by the OCC as a result of trades on that exchange would continue to be exercisable in accordance with their terms. In the event that the Fund were unable to close out a call option that it had written on a portfolio security, it would not be able to sell the underlying security unless the option expired without exercise. To the extent that the Fund owns unlisted (or "over- the-counter") options, the Fund's ability to terminate these options may be more limited than with exchange-traded options and may involve enhanced risk that counterparties participating in such transactions will not fulfill their obligations.

The hours of trading for options may not conform to the hours during which the underlying securities for such options are traded. To the extent that the options markets close before the markets for the underlying securities, significant price and rate movements can take place in the underlying markets that cannot be reflected in the options markets. Additionally, the exercise price of an option may be adjusted downward before the option's expiration as a result of the occurrence of certain corporate events affecting the underlying securities, such as extraordinary dividends, stock splits, mergers or other extraordinary distributions or events. A reduction in the exercise price of an option might reduce the Fund's capital appreciation potential on underlying securities held by the Fund.

The Fund's options transactions will be subject to limitations established by each of the exchanges, boards of trade or other trading facilities on which the options are traded. These limitations govern the maximum number of options in each class which may be written or purchased by a single investor or group of investors acting in concert, regardless of whether the options are written or purchased on the same or different exchanges, boards of trade or other trading facilities or are held or written in one or more accounts or through one or more brokers. Thus, the number of options which the Fund may write or purchase may be affected by options written or purchased by other investment advisory clients of the Adviser. An exchange, board of trade or other trading facility may order the liquidation of positions found to be in excess of these limits, and it may impose other sanctions.

Major exchanges on which options and futures are traded have established limits on how much an option or futures contract may decline over various periods of time. If the price of an option increases or decreases more than the established limit, trading in the contract may be suspended for set periods of time. If trading is suspended, the Fund may be unable to purchase or sell options or futures contracts at times that may be desirable or advantageous for the Fund to do so. Trading suspensions may limit the Fund's ability to achieve its investment objective. The Fund also may be required, in these instances, to "fair-value" any options and futures contracts that it currently owns.

The Fund may also write (sell) over-the-counter options ("OTC options"). Options written by the Fund with respect to non-U.S. securities, indices or sectors generally will be OTC options. OTC options differ from exchange-listed options in that they are entered into directly with the buyer of the option and not through an exchange or clearing organization that is interposed between the Fund and the counterparty. In an OTC option transaction exercise price, premium and other terms are negotiated between buyer and seller. OTC options generally do not have as much market liquidity as exchange-listed options. The counterparties to these transactions typically will be major international banks, broker-dealers and financial institutions. The Fund may be required to treat as illiquid securities being used to cover certain written OTC options. The OTC options written by the Fund will not be issued, guaranteed or cleared by the OCC. In addition, the Fund's ability to terminate the OTC options may be more limited than with exchange-traded options. Banks, broker-dealers or other financial institutions participating in such transaction may fail to settle a transaction in accordance with the terms of the option as written. In the event of default or insolvency of the counterparty, the Fund may be unable to liquidate an OTC option position.

Income from options on individual stocks written by the Fund will not be recognized by the Fund for tax purposes until an option is exercised, lapses or is subject to a "closing transaction" (as defined by applicable regulations) pursuant

to which the Fund's obligations with respect to the option are otherwise terminated. If the option lapses without exercise or is otherwise subject to a closing transaction, the premiums received by the Fund from the writing of such options will generally be characterized as short-term capital gain. If an option written by the Fund is exercised, the Fund may recognize taxable gain depending on the exercise price of the option, the option premium, and the fair market value of the security underlying the option. The character of any gain on the sale of the underlying security as short-term or long-term capital gain will depend on the holding period of the Fund in the underlying security. In general, distributions received by shareholders of the Fund that are attributable to short-term capital gains

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recognized by the Fund from its option writing activities will be taxed to such shareholders as ordinary income and will not be eligible for the reduced tax rate applicable to qualified dividend income.

Options on indices of securities and sectors of securities that qualify as "section 1256 contracts" will generally be "marked-to-market" for U.S. federal income tax purposes. As a result, the Fund will generally recognize gain or loss on the last day of each taxable year equal to the difference between the value of the option on that date and the adjusted basis of the option. The adjusted basis of the option will consequently be increased by such gain or decreased by such loss. Any gain or loss with respect to options on indices and sectors that qualify as "section 1256 contracts" will be treated as short-term capital gain or loss to the extent of 40% of such gain or loss and long-term capital gain or loss to the extent of 60% of such gain or loss. Because the mark-to-market rules may cause the Fund to recognize gain in advance of the receipt of cash, the Fund may be required to dispose of investments in order to meet its distribution requirements. "Mark-to-market" losses may be suspended or otherwise limited if such losses are part of a straddle or similar transaction.

When the Fund writes covered put options, it bears the risk of loss if the value of the underlying stock declines below the exercise price minus the put premium. If the option is exercised, the Fund could incur a loss if it is required to purchase the stock underlying the put option at a price greater than the market price of the stock at the time of exercise plus the put premium the Fund received when it wrote the option. While the Fund's potential gain in writing a covered put option is limited to distributions earned on the liquid assets securing the put option plus the premium received from the purchaser of the put option, the Fund risks a loss equal to the entire exercise price of the option minus the put premium.

Sovereign Debt Risk

Investments in sovereign debt involve special risks. Foreign governmental issuers of debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or pay interest when due. In the event of default, there may be limited or no legal recourse in that, generally, remedies for defaults must be pursued in the courts of the defaulting party. Political conditions, especially a sovereign entity's willingness to meet the terms of its debt obligations, are of considerable significance. The ability of a foreign sovereign issuer, especially an emerging market country, to make timely payments on its debt obligations will also be strongly influenced by the sovereign issuer's balance of payments, including export performance, its access to international credit facilities and investments, fluctuations of interest rates and the extent of its foreign reserves. The cost of servicing external debt will also generally be adversely affected by rising international interest rates, as many external debt obligations bear interest at rates which are adjusted based upon international interest rates. Also, there can be no assurance that the holders of commercial bank loans to the same sovereign entity may not contest payments to the holders of sovereign debt in the event of default under commercial bank loan agreements. In addition, there is no bankruptcy proceeding with respect to sovereign debt on which a sovereign has defaulted and the Fund may be unable to collect all or any part of its investment in a particular issue. Foreign investment in certain sovereign debt is restricted or controlled to varying degrees, including requiring governmental approval for the repatriation of income, capital or proceeds of sales by foreign investors. These restrictions or controls may at times limit or preclude foreign investment in certain sovereign debt and increase the costs and expenses of the Fund.

Real Estate Risk

To the extent that the Fund invests in real estate related investments, including REITs, mortgage related securities, such as MBS, or real-estate linked derivative instruments, it will be subject to the risks associated with owning real estate and with the real estate industry generally. Real estate related investments may be subject to difficulties in valuing and disposing of real estate, the possibility of declines in the value of real estate, risks related to general and

local economic conditions, the possibility of adverse changes in the climate for real estate, environmental liability risks, the risk of increases in property taxes and operating expenses, possible adverse changes in zoning laws, the risk of casualty or condemnation losses, limitations on rents, the possibility of adverse changes in interest rates and in the credit markets and the possibility of borrowers paying off mortgages sooner than expected, which may lead to reinvestment of assets at lower prevailing interest rates. To the extent that the Fund invests in REITs, it will also be subject to the risk that a REIT may default on its obligations or go bankrupt. By investing in REITs indirectly through the Fund, a shareholder will bear not only his or her proportionate share of the expenses of the Fund, but also, indirectly, similar expenses of the REITs. The Fund's investments in REITs could cause the Fund to recognize income

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in excess of cash received from those securities and, as a result, the Fund may be required to sell portfolio securities, including when it is not advantageous to do so, in order to make distributions.

In addition, mortgage REITs must satisfy highly technical and complex requirements in order to qualify for the favorable tax treatment accorded to REITs under the Code. No assurances can be given that a mortgage REIT in which the Fund invests will be able to continue to qualify as a REIT or that complying with the REIT requirements under the Code will not adversely affect such REIT's ability to execute its business plan. Mortgage REITs are also required to comply with certain requirements to maintain their exemption from the 1940 Act. Complying with these requirements may limit the investments a mortgage REIT may make and failure to comply with these requirements could cause the REIT to register as an investment company, which would adversely affect the value of the Fund's investment in the REIT and may force the Fund to sell such investment at an inopportune time.

Inflation/Deflation Risk

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of the Common Shares and distributions can decline. In addition, during any periods of rising inflation, the dividend rates or borrowing costs associated with the Fund's use of Financial Leverage would likely increase, which would tend to further reduce returns to Common Shareholders. Deflation risk is the risk that prices throughout the economy decline over time—the opposite of inflation. Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Fund's portfolio.

Privately Issued Securities Risk

The Fund may invest in privately issued securities of both public and private companies. Privately issued securities have additional risk considerations than investments in comparable public investments. Whenever the Fund invests in companies that do not publicly report financial and other material information, it assumes a greater degree of investment risk and reliance upon the Adviser's ability to obtain and evaluate applicable information concerning such companies' creditworthiness and other investment considerations. Certain privately issued securities may be illiquid. If there is no readily available trading market for privately issued securities, the Fund may not be able to readily dispose of such investments at prices that approximate those at which the Fund could sell them if they were more widely traded. Privately issued securities are also more difficult to value. Privately issued debt securities are often of below investment grade quality, frequently are unrated and present many of the same risks as investing in below investment grade public debt securities.

Other Investment Companies Risk

Investments in other investment companies present certain special considerations and risks not present in making direct investments in securities in which the Fund may invest. Investments in other investment companies involve operating expenses and fees that are in addition to the expenses and fees borne by the Fund. Such expenses and fees attributable to the Fund's investments in other investment companies are borne indirectly by Common Shareholders. Accordingly, investment in such entities involves expense and fee layering. Investments in other investment companies may expose the Fund to an additional layer of financial leverage. To the extent management fees of other investment companies are based on total gross assets, it may create an incentive for such entities' managers to employ financial leverage, thereby adding additional expense and increasing volatility and risk. Investments in other investment companies also expose the Fund to additional management risk; the success of the Fund's investments in other investment companies will depend in large part on the investment skills and implementation abilities of the advisers or managers of such entities. Decisions made by the advisers or managers of such entities may cause the

Fund to incur losses or to miss profit opportunities. To the extent the Fund invests in exchange-traded funds or other investment companies that seek to track a specified index, such investments will be subject to tracking error risk.

Derivatives Transactions Risk

The Fund may engage in various derivatives transactions for hedging and risk management purposes, to facilitate portfolio management and to earn income or enhance total return. The use of derivatives transactions to earn income or enhance total return may be particularly speculative. Derivatives transactions involve risks. There may be imperfect correlation between the value of such instruments and the underlying assets. Derivatives transactions may be subject to risks associated with the possible default of the other party to the transaction. Derivative instruments may be illiquid. Certain derivatives transactions may have economic characteristics similar to leverage, in that relatively small

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market movements may result in large changes in the value of an investment. Certain derivatives transactions that involve leverage can result in losses that greatly exceed the amount originally invested. Furthermore, the Fund's ability to successfully use derivatives transactions depends on the Adviser's ability to predict pertinent market movements, which cannot be assured. The use of derivatives transactions may result in losses greater than if they had not been used, may require the Fund to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation the Fund can realize on an investment or may cause the Fund to hold a security that it might otherwise sell. Derivatives transactions involve risks of mispricing or improper valuation. The documentation governing a derivative instrument or transaction may be unfavorable or ambiguous. Derivatives transactions may involve commissions and other costs, which may increase the Fund's expenses and reduce its return. Various legislative and regulatory initiatives may impact the availability, liquidity and cost of derivative instruments, limit or restrict the ability of the Fund to use certain derivative instruments or transact with certain counterparties as a part of its investment strategy, increase the costs of using derivative instruments or make derivative instruments less effective.

In connection with certain derivatives transactions, the Fund may be required to segregate liquid assets or otherwise cover such transactions and/or to deposit amounts as premiums or to be held in margin accounts. Such amounts may not otherwise be available to the Fund for investment purposes. The Fund may earn a lower return on its portfolio than it might otherwise earn if it did not have to segregate assets in respect of, or otherwise cover, its derivatives transactions positions. To the extent the Fund's assets are segregated or committed as cover, it could limit the Fund's investment flexibility. Segregating assets and covering positions will not limit or offset losses on related positions.

A CLN is a derivative instrument. It is a synthetic obligation between two or more parties where the payment of principal and/or interest is based on the performance of some obligation (a reference obligation). In addition to the credit risk of the reference obligations and interest rate risk, the buyer/seller of the CLN is subject to counterparty risk.

Swap Risk

The Fund may enter into swap transactions, including credit default swaps, total return swaps, index swaps, currency swaps, commodity swaps and interest rate swaps, as well as options thereon, and may purchase or sell interest rate caps, floors and collars. If the Adviser is incorrect in its forecasts of market values, interest rates or currency exchange rates, the investment performance of the Fund may be less favorable than it would have been if these investment techniques were not used. Such transactions are subject to market risk, risk of default by the other party to the transaction and risk of imperfect correlation between the value of such instruments and the underlying assets and may involve commissions or other costs. Swaps generally do not involve the delivery of securities, other underlying assets or principal. Accordingly, the risk of loss with respect to swaps generally is limited to the net amount of payments that the Fund is contractually obligated to make, or in the case of the other party to a swap defaulting, the net amount of payments that the Fund is contractually entitled to receive.

Total return swaps may effectively add leverage to the Fund's portfolio because the Fund would be subject to investment exposure on the full notional amount of the swap. Total return swaps are subject to the risk that a counterparty will default on its payment obligations to the Fund thereunder.

The swap market has grown substantially in recent years with a large number of banks and investment banking firms acting both as principals and as agents utilizing standardized swap documentation. As a result, the swap market has become relatively liquid. Caps, floors and collars are more recent innovations for which standardized documentation has not yet been fully developed and, accordingly, they are less liquid than swaps. Swaps are subject to new federal legislation implemented through rulemaking by the SEC and the Commodity Futures Trading

Commission. Further regulatory developments in the swap market may adversely impact the swap market generally or the Fund's ability to use swaps.

Credit Default Swap Risk. Credit default swap agreements may involve greater risks than if the Fund had invested in the reference obligation directly. When the Fund acts as a seller of a credit default swap agreement with respect to a debt security, it is subject to the risk that an adverse credit event may occur with respect to the debt security and the Fund may be required to pay the buyer the full notional value of the debt security under the swap net of any amounts owed to the Fund by the buyer under the swap (such as the buyer's obligation to deliver the debt security to the Fund).

As a result, the Fund bears the entire risk of loss due to a decline in value of a referenced debt security on a credit default swap it has sold if there is a credit event with respect to the security. If the Fund is a buyer of a credit default swap and no credit event occurs, the Fund may recover nothing if the swap is held through its termination date. However, if a credit event occurs, the Fund generally may elect to receive the full notional value of the swap in exchange for an equal face amount of deliverable obligations of the reference entity whose value may have significantly decreased. The Fund may exit its obligations under a credit default swap only by terminating the contract and paying applicable breakage fees, or by entering into an offsetting credit default swap position, which may cause the Fund to incur more losses.

Counterparty Risk

The Fund will be subject to credit risk with respect to the counterparties to the derivative contracts entered into by the Fund. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, the Fund may experience significant delays in obtaining any recovery under the derivative contract in bankruptcy or other reorganization proceeding. The Fund may obtain only a limited recovery or may obtain no recovery in such circumstances. Concerns about, or a default by, one large market participant could lead to significant liquidity problems for other participants. If a counterparty's credit becomes significantly impaired, multiple requests for collateral posting in a short period of time could increase the risk that the Fund may not receive adequate collateral.

The counterparty risk for cleared derivatives is generally lower than for uncleared over-the-counter derivatives transactions since generally a clearing organization becomes substituted for each counterparty to a cleared derivative contract and, in effect, guarantees the parties' performance under the contract as each party to a trade looks only to the clearing organization for performance of financial obligations under the derivative contract. However, there can be no assurance that a clearing organization, or its members, will satisfy its obligations to the Fund.

Synthetic Investment Risk

The Fund may be exposed to certain additional risks should the Adviser uses derivatives transactions as a means to synthetically implement the Fund's investment strategies. Customized derivative instruments will likely be highly illiquid, and it is possible that the Fund will not be able to terminate such derivative instruments prior to their expiration date or that the penalties associated with such a termination might impact the Fund's performance in a materially adverse manner. Synthetic investments may be imperfectly correlated to the investment the Adviser is seeking to replicate. There can be no assurance that the Adviser's judgments regarding the correlation of any particular synthetic investment will be correct. The Fund may be exposed to certain additional risks associated with derivatives transactions should the Adviser use derivatives as a means to synthetically implement the Fund's investment strategies. The Fund would be subject to counterparty risk in connection with such transactions. If the Fund enters into a derivative instrument whereby it agrees to receive the return of a security or financial instrument or a basket of securities or financial instruments, it will typically contract to receive such returns for a predetermined period of time. During such period, the Fund may not have the ability to increase or decrease its exposure. In addition, such customized derivative instruments will likely be highly illiquid, and it is possible that the Fund will not be able to terminate such derivative instruments prior to their expiration date or that the penalties associated with such a termination might impact the Fund's performance in a material adverse manner. Furthermore, derivative instruments typically contain provisions giving the counterparty the right to terminate the contract upon the occurrence of certain events, such as a decline in the value of the reference securities and material violations of the terms of the contract or the portfolio guidelines as well as other events determined by the counterparty. If a termination were to occur, the Fund's return could be adversely affected as it would lose the benefit of the indirect exposure to the reference securities and it may incur significant termination expenses.

Event-Linked Securities Risk

ELS are a form of derivative issued by insurance companies and insurance-related special purpose vehicles that apply securitization techniques to catastrophic property and casualty damages. Unlike other insurable low- severity, high-probability events (such as auto collision coverage), the insurance risk of which can be diversified by writing large numbers of similar policies, the holders of a typical ELS are exposed to the risks from high- severity, low-probability events such as that posed by major earthquakes or hurricanes. ELS represent a method of reinsurance, by which insurance companies transfer their own portfolio risk to other reinsurance companies and, in the case of ELS, to the capital markets. A typical ELS provides for income and return of capital similar to other fixed-income

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investments, but involves full or partial default if losses resulting from a certain catastrophe exceeded a predetermined amount. In essence, investors in ELS may lose some or all of their invested capital if a catastrophe occurs that "triggers" the ELS. In the case of a triggering event, the invested capital is paid to the bond sponsor—an insurer, reinsurer or corporation—to cover losses. In return, the bond sponsors pay interest to investors for this catastrophe protection. ELS can be structured to pay-off on three types of variables—insurance-industry catastrophe loss indices, insurer-specific catastrophe losses and parametric indices, in which events are covered on a pre-defined basis agreed upon prior to occurrence of an insured event based on physical characteristics of catastrophic events (for example, rainfall exceeding a certain threshold will trigger a pre-determined payment formula). Such variables are difficult to predict or model, and the risk and potential return profiles of ELS may be difficult to assess. Catastrophe-related ELS have been in use since the 1990s, and the securitization and risk-transfer aspects of such ELS are beginning to be employed in other insurance and risk-related areas. No active trading market may exist for certain ELS, which may impair the ability of the Fund to realize full value in the event of the need to liquidate such assets.

Inflation-Indexed Securities Risk

Inflation-indexed debt securities are subject to the effects of changes in market interest rates caused by factors other than inflation, such as real interest rates. In general, the value of an inflation-indexed security, including Treasury Inflation-Protected Securities ("TIPS"), tends to decrease when real interest rates increase and can increase when real interest rates decrease. Thus generally, during periods of rising inflation, the value of inflation- indexed securities will tend to increase and during periods of deflation, their value will tend to decrease. Interest payments on inflation-indexed securities are unpredictable and will fluctuate as the principal and interest are adjusted for inflation. There can be no assurance that the inflation index used (i.e., the Consumer Price Index for All Urban Consumers ("CPI")) will accurately measure the real rate of inflation in the prices of goods and services. Increases in the principal value of TIPS due to inflation are considered taxable ordinary income for the amount of the increase in the calendar year. Any increase in the principal amount of an inflation-indexed debt security will be considered taxable ordinary income, even though the Fund will not receive the principal until maturity. In order to receive the special treatment accorded to "regulated investment companies" ("RICs") and their shareholders under the Code and to avoid U.S. federal income and/or excise taxes at the Fund level, the Fund may be required to distribute this income to shareholders in the tax year in which the income is recognized (without a corresponding receipt of cash). Therefore, the Fund may be required to pay out as an income distribution in any such tax year an amount greater than the total amount of cash income the Fund actually received, and to sell portfolio securities, including at potentially disadvantageous times or prices, to obtain cash needed for these income distributions.

Municipal Securities Risk

Municipal securities involve certain risks. The amount of public information available about municipal securities is generally less than that for corporate equities or bonds, and the investment performance of the Fund's municipal securities investments may therefore be more dependent on the analytical abilities of the Adviser. The secondary market for municipal securities, particularly below investment grade securities, also tends to be less well-developed or liquid than many other securities markets, which may adversely affect the Fund's ability to sell such securities at prices approximating those at which the Fund may currently value them.

In addition, many state and municipal governments that issue securities are under significant economic and financial stress and may not be able to satisfy their obligations. The ability of municipal issuers to make timely payments of interest and principal may be diminished during general economic downturns and as governmental cost burdens are reallocated among federal, state and local governments. The taxing power of any governmental entity may be limited by provisions of state constitutions or laws and an entity's credit will depend on many factors, including the entity's tax base, the extent to which the entity relies on federal or state aid and other factors which are beyond the

entity's control. In addition, laws enacted in the future by Congress or state legislatures or referenda could extend the time for payment of principal and/or interest, or impose other constraints on enforcement of such obligations or on the ability of municipalities to levy taxes. Issuers of municipal securities might seek protection under bankruptcy laws. In the event of bankruptcy of such an issuer, holders of municipal securities could experience delays in collecting principal and interest and such holders may not be able to collect all principal and interest to which they are entitled.

The Fund may invest in taxable municipal securities, which consist primarily of BABs. The issuance of BABs was discontinued on December 31, 2010. Under the sequestration process under the Budget Control Act of 2011, automatic spending cuts that became effective on March 1, 2013 reduced the federal subsidy for BABs and other

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subsidized taxable municipal bonds. The reduced federal subsidy has been extended through 2024. The subsidy payments are reduced by 7.2% in 2014. The reduction rate is estimated to be lower in subsequent fiscal years.

Redenomination Risk

Continuing uncertainty as to the status of the Euro and the European Monetary Union (the "EMU") has created significant volatility in currency and financial markets generally. Investing in Euro-denominated securities entails risk of being exposed to a currency that may not fully reflect the strengths and weaknesses of the disparate European economies. In addition, it is possible that the Euro could be abandoned in the future by countries that have adopted its use. The effects of the collapse of the Euro, or of the exit of one or more countries from the EMU, on the United States and global economy and securities markets could have a significant adverse impact on the value and risk profile of the Fund's investments. If one or more EMU countries were to stop using the Euro as its primary currency, the Fund's investments in such countries may be redenominated into a different or newly adopted currency. As a result, the value of those investments could decline significantly and unpredictably. In addition, securities or other investments that are redenominated may be subject to foreign currency risk, liquidity risk and valuation risk to a greater extent than similar investments currently denominated in Euros. To the extent a currency used for redenomination purposes is not specified in respect of certain EMU-related investments, or should the Euro cease to be used entirely, the currency in which such investments are denominated may be unclear, making such investments particularly difficult to value or dispose of. The Fund may incur additional expenses to the extent it is required to seek judicial or other clarification of the denomination or value of such securities.

U.S. Government Securities Risk

U.S. Government securities historically have not involved the credit risks associated with investments in other types of debt securities, although, as a result, the yields available from U.S. Government debt securities are generally lower than the yields available from other securities. Like other debt securities, however, the values of U.S. Government securities change as interest rates fluctuate. On August 5, 2011, S&P lowered its long-term sovereign credit rating on the U.S. to "AA+" from "AAA." Any further downgrades of the U.S. credit rating could increase volatility in both stock and bond markets, result in higher interest rates and higher Treasury yields and increase the costs of all kinds of debt. These events could have significant adverse effects on the economy generally and could result in significant adverse impacts on securities issuers and the Fund. The Adviser cannot predict the effects of these or similar events in the future on the U.S. economy and securities markets or on the Fund's portfolio.

Legislation And Regulation Risk

The Dodd-Frank Act, which was signed into law in July 2010, has resulted in significant revisions to the U.S. financial regulatory framework. The Dodd-Frank Act covers a broad range of topics, including, among many others: a reorganization of federal financial regulators; the creation of a process designed to ensure financial system stability and the resolution of potentially insolvent financial firms; the enactment of new rules for derivatives trading; the creation of a consumer financial protection watchdog; the registration and regulation of managers of private funds; the regulation of rating agencies; and the enactment of new federal requirements for residential mortgage loans. The regulation of various types of derivative instruments pursuant to the Dodd-Frank Act may adversely affect the Fund or its counterparties. The ultimate impact of the Dodd-Frank Act, and regulation that has been enacted thereunder, is not yet certain and issuers of securities in which the Fund invests may also be affected in ways that are currently unknown and unforeseeable.

In connection with an ongoing review by the SEC and its staff of the regulation of investment companies' use of derivatives, on August 31, 2011, the SEC issued a concept release to seek public comment on a wide range of issues

raised by the use of derivatives by investment companies. The SEC noted that it intends to consider the comments to help determine whether regulatory initiatives or guidance are needed to improve the current regulatory regime for investment companies and, if so, the nature of any such initiatives or guidance. While the nature of any such regulations is uncertain at this time, it is possible that such regulations could limit the implementation of the Fund's options strategy or other uses of derivatives, which could have an adverse impact on the Fund. The Adviser cannot predict the effects of these regulations on the Fund's portfolio. The Adviser intends to monitor developments and seek to manage the Fund's portfolio in a manner consistent with achieving the Fund's investment objective, but there can be no assurance that they will be successful in doing so.

According to various reports, certain financial institutions, commencing as early as 2005 and throughout the global financial crisis, routinely made artificially low submissions in the LIBOR rate setting process. In June 2012, one such financial institution was fined a significant amount by various financial regulators in connection with allegations of manipulation of LIBOR rates. Other financial institutions in various countries are being investigated for similar actions. These developments may have adversely affected the interest rates on securities whose interest payments were determined by reference to LIBOR. Any future similar developments could, in turn, reduce the value of such securities owned by the Fund.

At any time after the date of this Prospectus, legislation may be enacted that could negatively affect the assets of the Fund or the issuers of such assets. Changing approaches to regulation may have a negative impact on the Fund or entities in which the Fund invests. Legislation or regulation may also change the way in which the Fund itself is regulated. There can be no assurance that future legislation, regulation or deregulation will not have a material adverse effect on the Fund or will not impair the ability of the Fund to achieve its investment objective.

Market Disruption and Geopolitical Risk

Continuing U.S. military operations and instability in the Middle East and terrorist attacks in the United States and around the world have contributed to increased market volatility, may have long-term effects on the U.S. and worldwide financial markets and may cause further economic uncertainties or deterioration in the United States and worldwide. The Adviser and Sub-Adviser do not know how long the financial markets will continue to be affected by these events and cannot predict the effects of these or similar events in the future on the U.S. and global economies and securities markets.

Market Discount Risk

The Fund’s Common Shares have a limited trading history and have traded both at a premium and at a discount in relation to net asset value. The Fund cannot predict whether the Common Shares will trade in the future at a premium or discount to net asset value. The Fund’s Common Shares have recently traded at a premium to net asset value per share, which may not be sustainable. If the Common Shares are trading at a premium to net asset value at the time you purchase Common Shares, the net asset value per share of the Common Shares purchased will be less than the purchase price paid. Shares of closed-end investment companies frequently trade at a discount from net asset value, but in some cases have traded above net asset value. The risk of the Common Shares trading at a discount is a risk separate from the risk of a decline in the Fund’s net asset value as a result of the Fund’s investment activities. The Fund’s net asset value will be reduced immediately following an offering of the Common Shares due to the costs of such offering, which will be borne entirely by the Fund. The sale of Common Shares by the Fund (or the perception that such sales may occur) may have an adverse effect on prices of Common Shares in the secondary market. An increase in the number of Common Shares available may put downward pressure on the market price for Common Shares. The Fund may, from time to time, seek the consent of Common Shareholders to permit the issuance and sale by the Fund of Common Shares at a price below the Fund’s then current net asset value, subject to certain conditions, and such sales of Common Shares at price below net asset value, if any, may increase downward pressure on the market price for Common Shares. These sales, if any, also might make it more difficult for the Fund to sell additional Common Shares in the future at a time and price it deems appropriate.

Whether a Common Shareholder will realize a gain or loss upon the sale of Common Shares depends upon whether the market value of the Common Shares at the time of sale is above or below the price the Common Shareholder paid, taking into account transaction costs for the Common Shares, and is not directly dependent upon the Fund’s net asset value. Because the market value of the Common Shares will be determined by factors such as the relative demand for and supply of the shares in the market, general market conditions and other factors outside the Fund’s control, the Fund

cannot predict whether the Common Shares will trade at, below or above net asset value, or at, below or above the public offering price for the Common Shares. Common Shares of the Fund are designed primarily for long-term investors; investors in Common Shares should not view the Fund as a vehicle for trading purposes.

Dilution Risk

The voting power of current Common Shareholders will be diluted to the extent that current Common Shareholders do not purchase Common Shares in any future offerings of Common Shares or do not purchase sufficient Common Shares to maintain their percentage interest. If the Fund is unable to invest the proceeds of such

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offering as intended, the Fund's per Common Share distribution may decrease and the Fund may not participate in market advances to the same extent as if such proceeds were fully invested as planned. If the Fund sells Common Shares at a price below net asset value pursuant to the consent of Common Shareholders, shareholders will experience a dilution of the aggregate net asset value per Common Share because the sale price will be less than the Fund's then-current net asset value per Common Share. Similarly, were the expenses of the offering to exceed the amount by which the sale price exceeded the Fund's then current net asset value per Common Share, shareholders would experience a dilution of the aggregate net asset value per Common Share. This dilution will be experienced by all shareholders, irrespective of whether they purchase Common Shares in any such offering. See "Description of Capital Structure—Common Shares—Issuance of Additional Common Shares."

Portfolio Turnover Risk

The Fund's annual portfolio turnover rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in the execution of investment decisions for the Fund. A higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by the Fund. High portfolio turnover may result in an increased realization of net short-term capital gains by the Fund which, when distributed to Common Shareholders, will be taxable as ordinary income. Additionally, in a declining market, portfolio turnover may result in realized capital losses. See "Tax Matters."

When-Issued And Delayed Delivery Transactions Risk

The Fund may purchase credit securities on a when-issued basis and may purchase or sell those securities for delayed delivery. When-issued and delayed delivery transactions occur when securities are purchased or sold by the Fund with payment and delivery taking place in the future to secure an advantageous yield or price. Securities purchased on a when-issued or delayed delivery basis may expose the Fund to counterparty risk of default as well as the risk that securities may experience fluctuations in value prior to their actual delivery. The Fund generally will not accrue income with respect to a when-issued or delayed delivery security prior to its stated delivery date. Purchasing securities on a when-issued or delayed delivery basis can involve the additional risk that the price or yield available in the market when the delivery takes place may not be as favorable as that obtained in the transaction itself.

Short Sales Risk

The Fund may make short sales of securities. A short sale is a transaction in which the Fund sells a security it does not own. If the price of the security sold short increases between the time of the short sale and the time the Fund replaces the borrowed security, the Fund will incur a loss; conversely, if the price declines, the Fund will realize a capital gain. Any gain will be decreased, and any loss will be increased, by the transaction costs incurred by the Fund, including the costs associated with providing collateral to the broker-dealer (usually cash and liquid securities) and the maintenance of collateral with its custodian. Although the Fund's gain is limited to the price at which it sold the security short, its potential loss is theoretically unlimited. The Fund may have to pay a premium to borrow the securities and must pay any dividends or interest payable on the securities until they are replaced, which will be expenses of the Fund.

Repurchase Agreement Risk

A repurchase agreement exposes the Fund to the risk that the party that sells the security may default on its obligation to repurchase it. The Fund may lose money because it cannot sell the security at the agreed-upon time and price or the security loses value before it can be sold. In the event of the bankruptcy or other default of a seller of a repurchase agreement, the Fund could experience both delays in liquidating the underlying securities and losses. In

such an event, the Fund would subject to risks associated with possible decline in the value of the underlying security during the period in which the Fund seeks to enforce its rights thereto, possible lack of access to income on the underlying security during this period, and expenses of enforcing its rights. In addition, the exercise of the Fund's right to liquidate the collateral underlying the repurchase agreement could involve certain costs or delays and, to the extent that proceeds from any sale upon a default of the obligation to repurchase were less than the repurchase price, the Fund could suffer a loss.

The Fund may accept a wide variety of underlying securities as collateral for repurchase agreements entered into by the Fund. Rule 5b-3 under the 1940 Act, stipulates that if a repurchase agreement entered into by a fund is "collateralized fully," the repurchase agreement is deemed a transaction in the underlying securities and not a separate

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security issued to the fund by the selling institution. In order for the repurchase agreement to qualify as "collateralized fully," the collateral must consist solely of cash items, government securities, securities that are rated in the highest rating category by at least two NRSROs (or one NRSRO, if that is the only such NRSRO which has issued a rating on the security) or unrated securities which the Adviser deems to be of comparable quality. However, the Fund may accept collateral in respect of repurchase agreements which do not meet the above criteria, and in such event the repurchase agreement will not be considered "collateralized fully" for purposes of Rule 5b-3. Accepting collateral beyond the criteria of Rule 5b-3 exposes the Fund to two categories of risks. First, because the Fund's repurchase agreements which are secured by such collateral are not "collateralized fully" under Rule 5b-3, the repurchase agreement is considered a separate security issued by the selling institution to the Fund. Accordingly, in addition to the risks of a default or bankruptcy of the selling institution, the Fund must include repurchase agreements that are not "collateralized fully" under Rule 5b-3 in its calculations of securities issued by the selling institution held by the Fund for purposes of various diversification and concentration requirements applicable to the Fund. In particular, to the extent a selling institution is a "securities related business" for purposes of Section 12(d)(3) of the 1940 Act and Rule 12d3-1 thereunder, the Fund would not be permitted to hold more than 5% of its total assets in securities issued by the selling institution, including repurchase agreements that are not "collateralized fully" under Rule 5b-3. While this limitation (as well as other applicable limitations arising under concentration and diversification requirements) limits the Fund's exposure to each such selling institution, the Fund will be required to monitor its holdings of such securities and ensure that it complies with the applicable limitations. Second, the collateral underlying a repurchase agreement that is not "collateralized fully" under Rule 5b-3 may not qualify as permitted or appropriate investments for the Fund under the Fund's investment strategies and limitations. Accordingly, if a selling institution defaults and the Fund takes possession of such collateral, the Fund may need to promptly dispose of such collateral (or other securities held by the Fund, if the Fund exceeds a limitation on a permitted investment by virtue of taking possession of the collateral). In cases of market turmoil (which may be associated with a default or bankruptcy of a selling institution), the Fund may have more difficulty than anticipated in selling such securities and/or in avoiding a loss on the sale of such securities. This risk may be more acute in the case of a selling institution's insolvency or bankruptcy, which may restrict the Fund's ability to dispose of collateral received from the selling institution. The Adviser follows various procedures to monitor the liquidity and quality of any collateral received under a repurchase agreement (as well as the credit quality of each selling institution) designed to minimize these risks, but there can be no assurance that the procedures will be successful in doing so.

Securities Lending Risk

The Fund may lend its portfolio securities to banks or dealers which meet the creditworthiness standards established by the Board of Trustees. Securities lending is subject to the risk that loaned securities may not be available to the Fund on a timely basis and the Fund may therefore lose the opportunity to sell the securities at a desirable price. Any loss in the market price of securities loaned by the Fund that occurs during the term of the loan would be borne by the Fund and would adversely affect the Fund's performance. Also, there may be delays in recovery, or no recovery, of securities loaned or even a loss of rights in the collateral should the borrower of the securities fail financially while the loan is outstanding.

Risk Of Failure To Qualify As A RIC

To qualify for the favorable U.S. federal income tax treatment generally accorded to RICs, the Fund must, among other things, derive in each taxable year at least 90% of its gross income from certain prescribed sources, meet certain asset diversification tests and distribute for each taxable year at least 90% of its "investment company taxable income" (generally, ordinary income plus the excess, if any, of net short-term capital gain over net long- term capital loss). If for any taxable year the Fund does not qualify as a RIC, all of its taxable income for that year (including its net capital gain) would be subject to tax at regular corporate rates without any deduction for distributions to shareholders, and

such distributions would be taxable as ordinary dividends to the extent of the Fund's current and accumulated earnings and profits.

Potential Conflicts Of Interest Risk

The Adviser and its affiliates provide a wide array of portfolio management and other asset management services to a mix of clients and may engage in ordinary course activities in which their interests or those of their clients may compete or conflict with those of the Fund. The Adviser and its affiliates may provide investment management services to other funds that follow investment objectives similar to those of the Fund. In certain circumstances, and

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subject to its fiduciary obligations under the Investment Advisers Act of 1940 (the "Advisers Act"), the Adviser may have to allocate a limited investment opportunity among its clients. The Adviser and its affiliates have adopted policies and procedures designed to address such and other potential conflicts of interests. For additional information about potential conflicts of interest, and the way in which the Adviser and its affiliates address such conflicts please see "Management of the Fund—Potential Conflicts of Interest" in the SAI.

Anti-Takeover Provisions In The Fund's Governing Documents

The Fund's Certificate of Trust, as amended, the Fund's Agreement and Declaration of Trust (the "Declaration of Trust") and the Fund's By-Laws (collectively, the "Governing Documents") include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to an open-end management investment company. These provisions could deprive the Common Shareholders of opportunities to sell their Common Shares at the net asset value per share or at a premium over the then-current market price of the Common Shares, outside of tender offers by the Fund, if any. See "Anti-Takeover and Other Provisions in the Fund's Governing Documents."

MANAGEMENT OF THE FUND

Trustees And Officers

The Board of Trustees is broadly responsible for the management of the Fund, including general supervision of the duties performed by the Adviser. The names and business addresses of the Trustees and officers of the Fund and their principal occupations and other affiliations during the past five years are set forth under "Management of the Fund" in the SAI.

Adviser

Investment Adviser. Guggenheim Funds Investment Advisors, LLC acts as the Fund's investment adviser. The Investment Adviser is a registered investment adviser and acts as investment adviser to a number of closed-end and open-end management investment companies. The Investment Adviser is a Delaware limited liability company, with its principal offices located at 227 West Monroe Street, Chicago, IL 60606. The Investment Adviser will be responsible for the management of the Fund, will furnish offices, necessary facilities and equipment on behalf of the Fund, will oversee the activities of the Fund's Sub-Adviser, will provide personnel, including certain officers required for the Fund's administrative management, and will pay the compensation of all officers and Trustees of the Fund who are its affiliates.

Sub-Adviser. Guggenheim Partners Investment Management, LLC acts as the Fund's investment sub-adviser. Guggenheim Partners Investment Management, LLC is a Delaware limited liability company, with its principal offices located at 100 Wilshire Boulevard, Santa Monica, California 90401. The Sub-Adviser, under the direction and supervision of the Board of Trustees and the Investment Adviser, will be responsible for the management of the Fund's investment portfolio and will provide certain facilities and personnel related to such management.

Guggenheim Partners. Each of the Investment Adviser and the Sub-Adviser is an indirect subsidiary of Guggenheim Partners, a diversified financial services firm with wealth management, capital markets, investment management and proprietary investing businesses, whose clients are a mix of individuals, family offices, endowments, foundations, insurance companies and other institutions that have entrusted Guggenheim Partners with the supervision of more than $220 billion of assets as of September 30, 2014. Guggenheim Partners is headquartered in Chicago and New York with a global network of offices throughout the United States, Europe and Asia.

Investment Advisory Agreement and Sub-Advisory Agreement

Pursuant to an investment advisory agreement between the Fund and the Investment Adviser (the "Advisory Agreement"), the Fund will pay the Investment Adviser a fee, payable monthly, in an annual amount equal to 1.00% of the Fund's average daily Managed Assets (from which the Investment Adviser will pay the Sub-Adviser's fees).

Pursuant to an investment sub-advisory agreement among the Fund, the Investment Adviser and the Sub-Adviser (the "Sub-Advisory Agreement"), the Investment Adviser will pay the Sub-Adviser a fee, payable monthly, in an annual amount equal to 0.50% of the Fund's average daily Managed Assets.

The Advisory Agreement and the Sub-Advisory Agreement were approved by the Board of Trustees on February 12, 2013. A discussion regarding the basis for the approval of the Advisory Agreement by the Board of Trustees is available in the Fund's initial semi-annual report to shareholders for the period ending November 30, 2013.

Conflicts of Interest

During the time in which the Fund is utilizing Financial Leverage, the amount of the fees paid to the Adviser for investment advisory services will be higher than if the Fund did not utilize Financial Leverage because the fees paid will be calculated based on the Fund's Managed Assets, including proceeds of Financial Leverage. This may create a conflict of interest between the Adviser and the Common Shareholders, as holders of Indebtedness, Preferred Shares or other forms of Financial Leverage do not bear the investment advisory fee. Rather, Common Shareholders bear the portion of the investment advisory fee attributable to the assets purchased with the proceeds of Financial Leverage, which means that Common Shareholders effectively bear the entire advisory fee. In order to manage this conflict of interest, the Board of Trustees will receive regular reports from the Adviser regarding the Fund's use of Financial Leverage and the effect of Financial Leverage on the management of the Fund's portfolio and the performance of the Fund.

Portfolio Management

The Sub-Adviser's personnel with the most significant responsibility for the day-to-day management of the Fund's portfolio are:

B. Scott Minerd, Chief Investment Officer and Chief Executive Officer of the Sub-Adviser. Mr. Minerd is Chief Investment Officer of Guggenheim. He joined the firm in 1998. Mr. Minerd is a member of the Portfolio Construction Group and guides the investment strategies of the sector portfolio managers. He was formerly a Managing Director with Credit Suisse First Boston in charge of trading and risk management for the Fixed Income Credit Trading Group. In this position, he was responsible for the corporate bond, preferred stock, money markets, U.S. government agency and sovereign debt, derivatives securities, structured debt and interest- rate swaps trading business units. Previously, Mr. Minerd was Morgan Stanley's London-based European Capital Markets Products Trading and Risk Manager responsible for Eurobonds, Euro-MTNs, domestic European Bonds, FRNs, derivative securities and money market products in 12 European currencies and Asian markets. Mr. Minerd has also held capital markets positions with Merrill Lynch and Continental Bank. Prior to that, he was a Certified Public Accountant working for the public accounting firm of Price Waterhouse. Mr. Minerd holds a B.S. degree in Economics from the Wharton School, University of Pennsylvania, and has completed graduate work at the University of Chicago Graduate School of Business and the Wharton School, University of Pennsylvania. Mr. Minerd is a regularly featured guest on FOX Business News, Bloomberg Television and CNBC sharing his insight on today's financial climate.

Anne Bookwalter Walsh, Senior Managing Director of the Sub-Adviser. Ms. Walsh joined Guggenheim in 2007 and is head of the Portfolio Construction Group ("PCG") where she oversees more than $60 billion in fixed income investments including Agencies, Credit, Municipals, RMBS, CMBS and ABS across several Guggenheim affiliates. The PCG is responsible for sector allocation, risk management and hedging strategies for client portfolios, and conveying Guggenheim's macroeconomic outlook to Portfolio Managers and fixed income Sector Specialists. Ms. Walsh specializes in liability driven portfolio management. With more than 28 years in the investment management industry, including roles as a money manager and as a selector of money managers, Ms. Walsh is well suited to understand the needs of institutional clients and how to address them. Prior to joining Guggenheim, Ms. Walsh served as Chief Investment Officer at Reinsurance Group of America, Incorporated (NYSE: RGA), a recognized leader in the global life reinsurance industry. Prior to joining RGA in 2000, Ms. Walsh served as Vice President and Senior Investment Consultant for Zurich Scudder Investments. Earlier, she held roles at Lincoln Investment Management and

American Bankers Insurance Group. Ms. Walsh received her BSBA and MBA from Auburn University and her J.D. from the University of Miami School of Law. She is a Fellow of the Life Management Institute and has earned the right to use the Chartered Financial Analyst® designation and is a member of the CFA Institute.

Jeffrey Abrams, Senior Managing Director of the Sub-Adviser. Mr. Abrams joined Guggenheim in 2002. Mr. Abrams is a Senior Managing Director and Portfolio Manager in Guggenheim's Corporate Credit Group. He is also a member of the Investment Committee overseeing Guggenheim's corporate credit investing activities. Mr. Abrams' prior roles at Guggenheim include covering the retail and consumer sectors as a senior analyst. He led an industry team focused on

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investing across the leveraged credit markets in a number of industries including financial institutions, retail, food and beverage and consumer products. Mr. Abrams has also focused on sourcing and structuring directly negotiated middle market debt investments. Prior to joining Guggenheim, Mr. Abrams worked in the Leveraged Finance Group at Bear Stearns where he focused on various leveraged debt transactions across multiple industries. Mr. Abrams received his B.A. in History and a BBA in Finance from Emory University.

Kevin Gundersen, Senior Managing Director of the Sub-Adviser. Mr. Gundersen joined Guggenheim in 2002. Mr. Gundersen is a Managing Director and Portfolio Manager for Guggenheim's Corporate Credit Strategies and is a member of the Investment Committee overseeing Guggenheim's corporate credit investing activities. He has ten years' experience in the high yield and leverage loan asset class. Since joining Guggenheim, Mr. Gundersen has been instrumental in the growth of the Corporate Credit business. During his career at the firm, Mr. Gundersen has been an analyst covering a variety of sectors, and subsequently led an industry team that focused on investing across the capital structure in the media, telecommunications and technology sectors. In addition, in his capacity as a senior analyst and as a team leader, Mr. Gundersen has sourced and structured directly negotiated middle market debt investments. Prior to joining Guggenheim, Mr. Gundersen worked at GeoTrust, a technology company focused on eCommerce security solutions. Mr. Gundersen received his A.B. from Harvard University. He has earned the right to use the Chartered Financial Analyst® designation and is a member of the CFA Institute.

James Michal, Managing Director of the Sub-Adviser. Mr. Michal joined Guggenheim in 2008. He is dedicated to portfolio management for Guggenheim's Total Return mandates. Mr. Michal is responsible for implementing macro and micro investment themes of the Chief Investment Officers, coordinating with sector heads and traders to determine credit trends and relative value, and for the day-to-day risk monitoring of the assets. Prior to joining Guggenheim, he was an Associate in Wachovia's structured finance division. He focused on origination, marketing, structuring and execution of collateralized loan obligations for two years. Mr. Michal successfully contributed to a total of 11 completed transactions raising approximately $4.3 billion of capital. Prior to his time in structured credit products, he was an analyst in Wachovia's corporate credit division focusing on portfolio management and loan syndications. Over two years, Mr. Michal underwrote a total of 12 syndicated transactions and managed the loan portfolio risk in the Integrated Electric Utility, Midstream Pipeline and Propane sectors. Mr. Michal earned a BSBA in Finance and International Business from Georgetown University.

The SAI provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers and the portfolio managers' ownership of securities of the Fund.

NET ASSET VALUE

The net asset value of the Common Shares is calculated by subtracting the Fund's total liabilities (including from Borrowings) and the liquidation preference of any outstanding Preferred Shares from total assets (the market value of the securities the Fund holds plus cash and other assets). The per share net asset value is calculated by dividing its net asset value by the number of Common Shares outstanding and rounding the result to the nearest full cent. The Fund calculates its net asset value as of the close of regular trading on the New York Stock Exchange ("NYSE") on each day on which there is a regular trading session on the NYSE. Information that becomes known to the Fund or its agent after the Fund's net asset value has been calculated on a particular day will not be used to retroactively adjust the price of a security or the Fund's previously determined net asset value.

The Fund values equity securities at the last reported sale price on the principal exchange or in the principal OTC market in which such securities are traded, as of the close of regular trading on the NYSE on the day the securities are being valued or, if there are no sales, on the basis of broker quotations. Securities traded primarily on the Nasdaq Stock Market ("Nasdaq") are normally valued by the Fund at the Nasdaq Official Closing Price ("NOCP") provided by

Nasdaq each business day. The NOCP is the most recently reported price as of 4:00 p.m., Eastern time, unless that price is outside the range of the "inside" bid and asked prices (i.e., the bid and asked prices that dealers quote to each other when trading for their own accounts); in that case, Nasdaq will adjust the price to equal the inside bid or asked price, whichever is closer. Because of delays in reporting trades, the NOCP may not be based on the price of the last trade to occur before the market closes.

The Fund values exchange-traded options and other exchange-traded derivative contracts at the mean of the best bid and asked prices at the close on those exchanges on which they are traded.

The Fund's securities that are traded primarily in foreign markets may be traded in such markets on days that the NYSE is closed. As a result, the net asset value of the Fund may be significantly affected on days when Common Shareholders have no ability to trade the Common Shares on the NYSE.

The Fund may utilize independent pricing services or bid quotations provided by dealers to value certain of its securities at their market value. The Fund typically uses independent pricing services to value credit securities held by the Fund at their market value. The Fund periodically verifies valuations provided by independent pricing services. If independent pricing services or dealer quotations are not available for a given security, such security will be valued in accordance with valuation guidelines adopted by the Board of Trustees that the Board of Trustees believes are designed to accurately reflect the fair value of securities valued in accordance with such guidelines. For certain credit securities, fair valuations may include input from the Sub-Adviser utilizing a wide variety of market data including yields or prices of investments of comparable quality, type of issue, coupon, maturity, rating, indications of value from security dealers, evaluations of anticipated cash flows or collateral, spread over U.S. Treasury obligations, and other information and analysis. The Fund may also use third party service providers to model certain securities using cash flow models to determine fair market value. While the Fund's use of fair valuation is intended to result in calculation of net asset value that fairly reflects values of the Fund's portfolio securities as of the time of pricing, the Fund cannot guarantee that any fair valuation will, in fact, approximate the amount the Fund would actually realize upon the sale of the securities in question.

Short-term securities with remaining maturities of less than 60 days may be valued at amortized cost.

The Fund values derivatives transactions in accordance with valuation guidelines adopted by the Board of Trustees. Accrued payments to the Fund under such transactions will be assets of the Fund and accrued payments by the Fund will be liabilities of the Fund.

DISTRIBUTIONS

The Fund intends to pay substantially all of its net investment income, if any, to Common Shareholders through monthly distributions. In addition, the Fund intends to distribute any net long-term capital gains to Common Shareholders as long-term capital gain dividends at least annually. The Fund expects that dividends paid on the Common Shares will consist primarily of (i) investment company taxable income taxed as ordinary income, which includes, among other things, ordinary income, short-term capital gain and income from certain hedging and interest rate transactions, and (ii) net capital gain (which is the excess of net long-term capital gain over net short-term capital loss). The Fund cannot assure you as to what percentage of the dividends paid on the Common Shares will consist of net capital gain, which is taxed at reduced rates for non-corporate investors. In certain circumstances, the Fund may elect to retain income or capital gain and pay income or excise tax on such undistributed amount, to the extent that the Board of Trustees, in consultation with Fund management, determines it to be in the best interest of shareholders to do so. During the Fund's fiscal year ended May 31, 2014, the Fund paid excise tax of $45,730. See "Tax Matters."

Pursuant to the requirements of the 1940 Act, in the event the Fund makes distributions from sources other than income, a notice will be provided in connection with each monthly distribution with respect to the estimated source of the distribution made. Such notices will describe the portion, if any, of the monthly dividend which, in the Fund's good faith judgment, constitutes long-term capital gain, short-term capital gain, investment company taxable income or a return of capital. The actual character of such dividend distributions for U.S. federal income tax purposes, however, will only be determined finally by the Fund at the close of its fiscal year, based on the Fund's full year performance and its actual net investment company taxable income and net capital gains for the year, which may result in a recharacterization of amounts distributed during such fiscal year from the characterization in the monthly estimates.

Because of the nature of the Fund's investments and changes in market conditions from time to time, the distributions paid by the Fund for any particular month may be more or less than the amount of net investment income from that monthly period. As a result, all or a portion of a distribution may be a return of capital, which is in effect a partial return of the amount a Common Shareholder invested in the Fund.

If the Fund's total distributions in any year exceed the amount of its investment company taxable income and net capital gain for the year, any such excess would generally be characterized as a return of capital for U.S. federal income tax purposes. For example, because of the nature of the Fund's investments, the Fund may distribute net short-

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term capital gains early in the calendar year, but incur net short-term capital losses later in the year, thereby offsetting the short-term net capital gains for which distributions have already been made by the Fund. In such a situation, the amount by which the Fund's total distributions exceed investment company taxable income and net capital gain would generally be treated as a tax-free return of capital up to the amount of the Common Shareholder's tax basis in their Common Shares, which would reduce such tax basis, with any amounts exceeding such basis treated as a gain from the sale of their Common Shares. Consequently, although a return of capital may not be taxable, it will generally increase the Common Shareholder's potential gain, or reduce the Common Shareholder's potential loss, on any subsequent sale or other disposition of Common Shares.

The Fund expects that over time it will distribute all of its investment company taxable income. The investment company taxable income of the Fund will consist of all dividend and interest income accrued on portfolio assets, short-term capital gain and income from certain hedging and interest rate transactions, less all expenses of the Fund. Expenses of the Fund will be accrued each day.

To permit the Fund to maintain more stable monthly distributions, the Fund may distribute less than the entire amount of the net investment income earned in a particular period. The undistributed net investment income may be available to supplement future distributions. As a result, the distributions paid by the Fund for any particular monthly period may be more or less than the amount of net investment income actually earned by the Fund during the period, and the Fund may have to sell a portion of its investment portfolio to make a distribution at a time when independent investment judgment might not dictate such action. Undistributed net investment income is included in the Common Shares' net asset value, and, correspondingly, distributions from net investment income will reduce the Common Shares' net asset value.

The Fund reserves the right to change its distribution policy and the basis for establishing the rate of distributions at any time and may do so without prior notice to Common Shareholders.

If you hold your Common Shares in your own name or if you hold your Common Shares with a brokerage firm that participates in the Fund's Plan, unless you elect to receive cash, all dividends and distributions that are declared by the Fund will be automatically reinvested in additional Common Shares of the Fund pursuant to the Plan. If you hold your Common Shares with a brokerage firm that does not participate in the Plan, you will not be able to participate in the Plan and any dividend reinvestment may be effected on different terms than those described below. Consult your financial advisor for more information. See "Dividend Reinvestment Plan."

Distribution History. The Fund has paid the following distributions since its inception:

Payable Date	Distribution Amount
October 31, 2014	$0.181300
September 30, 2014	$0.181300
August 29, 2014	$0.181300
July 31, 2014	$0.171300
June 30, 2014	$0.171300
May 30, 2014	$0.171300
April 30, 2014	$0.161460
March 31, 2014	$0.161460
February 28, 2014	$0.161460
January 31, 2014	$0.161460
December 31, 2013	$0.161460

November 29, 2013	$0.161460
October 31, 2013	$0.161460
September 30, 2013	$0.161460

DIVIDEND REINVESTMENT PLAN

Under the Fund's Dividend Reinvestment Plan, a Common Shareholder whose Common Shares are registered in his or her own name will have all distributions reinvested automatically by Computershare Shareowner Services LLC, which is agent under the Plan (the "Plan Agent"), unless the Common Shareholder elects to receive cash.

Distributions with respect to Common Shares registered in the name of a broker-dealer or other nominee (that is, in "street name") will be reinvested in additional Common Shares under the Plan, unless the broker or nominee does not participate in the Plan or the Common Shareholder elects to receive distributions in cash. Investors who own Common Shares registered in street name should consult their broker-dealers for details regarding reinvestment. All distributions to investors who do not participate in the Plan will be paid by check mailed directly to the record holder by Computershare Shareowner Services LLC as dividend disbursing agent. A participant in the Plan who wishes to opt out of the Plan and elect to receive distributions in cash should contact Computershare Shareowner Services LLC in writing at the address specified below or by calling the telephone number specified below.

Under the Plan, whenever the market price of the Common Shares is equal to or exceeds net asset value at the time Common Shares are valued for purposes of determining the number of Common Shares equivalent to the cash dividend or capital gains distribution, participants in the Plan are issued new Common Shares from the Fund, valued at the greater of (i) the net asset value as most recently determined or (ii) 95% of the then-current market price of the Common Shares. The valuation date is the dividend or distribution payment date or, if that date is not a NYSE trading day, the next preceding trading day. If the net asset value of the Common Shares at the time of valuation exceeds the market price of the Common Shares, the Plan Agent will buy the Common Shares for the Plan in the open market, on the NYSE or elsewhere, for the participants' accounts, except that the Plan Agent will endeavor to terminate purchases in the open market and cause the Fund to issue Common Shares at the greater of net asset value or 95% of market value if, following the commencement of such purchases, the market value of the Common Shares exceeds net asset value. If the Fund should declare a distribution or capital gains distribution payable only in cash, the Plan Agent will buy the Common Shares for the Plan in the open market, on the NYSE or elsewhere, for the participants' accounts. There is no charge from the Fund for reinvestment of dividends or distributions in Common Shares pursuant to the Plan; however, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Agent when it makes open-market purchases.

The Plan Agent maintains all shareholder accounts in the Plan and furnishes written confirmations of all transactions in the account, including information needed by shareholders for personal and tax records. Common Shares in the account of each Plan participant will be held by the Plan Agent in non-certificated form in the name of the participant.

In the case of shareholders such as banks, brokers or nominees, which hold Common Shares for others who are the beneficial owners, and participate in the Plan, the Plan Agent will administer the Plan on the basis of the number of Common Shares certified from time to time by the Common Shareholder as representing the total amount registered in the shareholder's name and held for the account of beneficial owners who participate in the Plan.

The automatic reinvestment of dividends and other distributions will not relieve participants of an income tax that may be payable or required to be withheld on such dividends or distributions.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate its Plan as applied to any voluntary cash payments made and any dividend or distribution paid subsequent to written notice of the change sent to the members of such Plan at least 90 days before the record date for such dividend or distribution. The Plan also may be amended or terminated by the Plan Agent on at least 90 days' prior written notice to the participants in such Plan. All correspondence concerning the Plan should be directed to the Plan Administrator, Computershare, P.O. Box 43006, Providence, RI 02940-3006, Phone Number: (866) 488-3559.

DESCRIPTION OF CAPITAL STRUCTURE

The Fund is an unincorporated statutory trust organized under the laws of Delaware pursuant to a Certificate of Trust, dated as of June 7, 2012. The following is a brief description of the terms of the Common Shares, Borrowings and Preferred Shares which may be issued by the Fund. This description does not purport to be complete and is qualified by reference to the Fund's Governing Documents.

Common Shares

Pursuant to the Declaration of Trust, the Fund is authorized to issue an unlimited number of Common Shares of beneficial interest, par value $0.01 per share. Each Common Share has one vote and, when issued and paid for in accordance with the terms of this offering, will be fully paid and non-assessable. All Common Shares are equal as to

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dividends, assets and voting privileges and have no conversion, preemptive or other subscription rights. The Fund will send annual and semi-annual reports, including financial statements, to all holders of its shares.

Any additional offerings of Common Shares will require approval by the Board of Trustees. Any additional offering of Common Shares will be subject to the requirements of the 1940 Act, which provides that shares may not be issued at a price below the then current net asset value, exclusive of sales load, except in connection with an offering to existing Common Shareholders or with the consent of a majority of the Fund's outstanding voting securities.

The Fund's currently outstanding Common Shares are, and the Common Shares offered by this Prospectus, will be, subject to notice of issuance, listed on the NYSE under the symbol "GGM."

The Fund's net asset value per Common Share generally increases and decreases based on the market value of the Fund's securities. Net asset value per Common Share will be reduced immediately following the offering of Common Shares by the amount of the sales load and offering expenses paid by the Fund. See "Use of Proceeds."

The Fund will not issue certificates for Common Shares.

Issuance of Additional Common Shares. The provisions of the 1940 Act generally require that the public offering price (less underwriting commissions and discounts) of common shares sold by a closed-end investment company must equal or exceed the net asset value of such company's common shares (calculated within 48 hours of the pricing of such offering), unless such sale is made with the consent of a majority of its common shareholders. The Fund may, from time to time, seek the consent of Common Shareholders to permit the issuance and sale by the Fund of Common Shares at a price below the Fund's then-current net asset value, subject to certain conditions. If such consent is obtained, the Fund may, contemporaneous with and in no event more than one year following the receipt of such consent, sell Common Shares at price below net asset value in accordance with any conditions adopted in connection with the giving of such consent. Additional information regarding any consent of Common Shareholders obtained by the Fund and the applicable conditions imposed on the issuance and sale by the Fund of Common Shares at a price below net asset value will be disclosed in the Prospectus Supplement relating to any such offering of Common Shares at a price below net asset value. Until such consent of Common Shareholders, if any, is obtained, the Fund may not sell Common Shares at a price below net asset value. Because the Fund's advisory fee and sub-advisory fee are based upon average Managed Assets, the Investment Adviser's and the Sub-Adviser's interests in recommending the issuance and sale of Common Shares at a price below net asset value may conflict with the interests of the Fund and its Common Shareholders.

Borrowings

The Fund's Declaration of Trust provides that the Board of Trustees may authorize the borrowing of money by the Fund, without the approval of the holders of the Common Shares. The Fund may issue notes or other evidences of indebtedness (including bank borrowings or commercial paper) and may secure any such borrowings by mortgaging, pledging or otherwise subjecting the Fund's assets as security. See "Use of Financial Leverage—Indebtedness."

Preferred Shares

The Fund's Governing Documents provide that the Board of Trustees may authorize and issue Preferred Shares with rights as determined by the Board of Trustees, by action of the Board of Trustees without prior approval of the holders of the Common Shares. Common Shareholders have no preemptive right to purchase any Preferred Shares that might be issued. Any such Preferred Share offering would be subject to the limits imposed by the 1940 Act. Issuance

of Preferred Shares would constitute Financial Leverage and would entail special risks to the Common Shareholders.

Although the Fund has no present intention to issue Preferred Shares, it may in the future utilize Preferred Shares to the maximum extent permitted by the 1940 Act. Under the 1940 Act, the Fund may not issue Preferred Shares unless, immediately after such issuance, it has an "asset coverage" of at least 200% of the liquidation value of the outstanding Preferred Shares (i.e., such liquidation value may not exceed 50% of the value of the Fund's total assets). For these purposes, "asset coverage" means the ratio of (i) total assets less all liabilities and indebtedness not represented by "senior securities" to (ii) the amount of "senior securities representing indebtedness" plus the "involuntary liquidation preference" of the Preferred Shares. "Senior security" generally

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means any bond, note, or similar security evidencing indebtedness and any class of shares having priority over any other class as to distribution of assets or payment of dividends. “Senior security representing indebtedness” means any “senior security” other than equity shares. The “involuntary liquidation preference” of the Preferred Shares is the amount that holders of Preferred Shares would be entitled to receive in the event of an involuntary liquidation of the Fund in preference to the Common Shares.

In addition, the Fund is not permitted to declare any dividend (except a dividend payable in Common Shares), or to declare any other distribution on its Common Shares, or to purchase any Common Shares, unless the Preferred Shares have at the time of the declaration of any such dividend or other distribution, or at the time of any such purchase of Common Shares, an asset coverage of at least 200% after deducting the amount of such dividend, distribution or purchase price. If Preferred Shares are issued, the Fund intends, to the extent possible, to purchase or redeem Preferred Shares from time to time to the extent necessary to maintain asset coverage of any Preferred Shares of at least 200%. Any Preferred Shares issued by the Fund would have special voting rights and a liquidation preference over the Common Shares. Issuance of Preferred Shares would constitute Financial Leverage and would entail special risks to the Common Shareholders.

Any Preferred Shares issued by the Fund would have special voting rights and a liquidation preference over the Common Shares.

If Preferred Shares are outstanding, two of the Fund’s Trustees will be elected by the holders of Preferred Shares, voting separately as a class. The remaining Trustees of the Fund will be elected by Common Shareholders and Preferred Shares voting together as a single class. In the unlikely event the Fund failed to pay dividends on Preferred Shares for two years, Preferred Shares would be entitled to elect a majority of the Trustees of the Fund.

The Fund may be subject to certain restrictions imposed by guidelines of one or more NRSROs that may issue ratings for Preferred Shares issued by the Fund. These guidelines may impose asset coverage or portfolio composition requirements that are more stringent than those imposed on the Fund by the 1940 Act. The Fund has no present intention to issue Preferred Shares.

Capitalization

The following table provides information about the outstanding securities of the Fund as of November 10, 2014:

Title of Class	Amount Authorized	Amount Held by the Fund or for its Account	Amount Outstanding
Common Shares of Beneficial Interest, par value $0.01 per share	Unlimited	—	6,629,481

ANTI-TAKEOVER AND OTHER PROVISIONS IN THE FUND’S GOVERNING DOCUMENTS

The Fund presently has provisions in its Governing Documents which could have the effect of limiting, in each case, (i) the ability of other entities or persons to acquire control of the Fund, (ii) the Fund’s freedom to engage in certain transactions or (iii) the ability of the Fund’s Board of Trustees or shareholders to amend the Governing Documents or effectuate changes in the Fund’s management. These provisions of the Governing Documents of the Fund may be regarded as “anti-takeover” provisions. The Board of Trustees is divided into three classes, with the terms

of one class expiring at each annual meeting of shareholders. At each annual meeting, one class of Trustees is elected to a three-year term. This provision could delay for up to two years the replacement of a majority of the Board of Trustees. A Trustee may be removed from office by the action of a majority of the remaining Trustees followed by a vote of the holders of at least 75% of the shares then entitled to vote for the election of the respective Trustee.

In addition, the Declaration of Trust requires the affirmative vote of a majority of the Board of Trustees followed by the affirmative vote of the holders of at least 75% of the outstanding shares of each affected class or series of the Fund, voting separately as a class or series, to approve, adopt or authorize certain transactions with 5% or greater holders of a class or series of shares and their associates, unless the transaction has been approved by at least 80% of

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the Board of Trustees, in which case "a majority of the outstanding voting securities" (as defined in the 1940 Act) of the Fund shall be required. For purposes of these provisions, a 5% or greater holder of a class or series of shares (a "Principal Shareholder") refers to any person who, whether directly or indirectly and whether alone or together with its affiliates and associates, beneficially owns 5% or more of the outstanding shares of any class or series of shares of beneficial interest of the Fund.

The 5% holder transactions subject to these special approval requirements are:

- the merger or consolidation of the Fund or any subsidiary of the Fund with or into any Principal Shareholder;

- the issuance of any securities of the Fund to any Principal Shareholder for cash (other than pursuant to any automatic dividend reinvestment plan);

- the sale, lease or exchange of all or any substantial part of the assets of the Fund to any Principal Shareholder, except assets having an aggregate fair market value of less than $1,000,000, aggregating for the purpose of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period; or

- the sale, lease or exchange to the Fund or any subsidiary of the Fund, in exchange for securities of the Fund, of any assets of any Principal Shareholder, except assets having an aggregate fair market value of less than $1,000,000, aggregating for purposes of such computation all assets sold, leased or exchanged in any series of similar transactions within a twelve-month period.

To liquidate the Fund, the Declaration of Trust requires the affirmative vote of a majority of the Board of Trustees followed by the affirmative vote of the holders of at least 75% of the outstanding shares of each affected class or series of the Fund, voting separately as a class or series, unless such liquidation has been approved by at least 80% of the Board of Trustees, in which case "a majority of the outstanding voting securities" (as defined in the 1940 Act) of the Fund shall be required.

For the purposes of calculating "a majority of the outstanding voting securities" under the Declaration of Trust, each class and series of the Fund shall vote together as a single class, except to the extent required by the 1940 Act or the Declaration of Trust with respect to any class or series of shares. If a separate vote is required, the applicable proportion of shares of the class or series, voting as a separate class or series, also will be required. A "majority of the outstanding voting securities" means the lesser of (i) 67% or more of the Fund's voting securities present at a meeting, if the holders of more than 50% of the Fund's outstanding voting securities are present or represented by proxy; or (ii) more than 50% of the Fund's outstanding voting securities.

The Board of Trustees has determined that provisions with respect to the Board of Trustees and the shareholder voting requirements described above, which voting requirements are greater than the minimum requirements under Delaware law or the 1940 Act, are in the best interest of shareholders generally. Reference should be made to the Declaration of Trust on file with the SEC for the full text of these provisions. See "Additional Information."

CLOSED-END FUND STRUCTURE

Closed-end management investment companies ("closed-end funds") differ from open-end management investment companies (commonly referred to as "mutual funds") in that closed-end funds generally list their shares for trading on a securities exchange and do not redeem their shares at the option of the shareholder. By comparison, mutual funds issue securities redeemable at net asset value at the option of the shareholder and typically engage in a continuous

offering of their shares. Mutual funds are subject to continuous asset in-flows and out-flows that can complicate portfolio management, whereas closed-end funds generally can stay more fully invested in securities consistent with the closed-end fund's investment objective and policies. In addition, in comparison to open-end funds, closed-end funds have greater flexibility in their ability to make certain types of investments, including investments in illiquid securities.

However, shares of closed-end funds listed for trading on a securities exchange frequently trade at a discount from net asset value, but in some cases trade at a premium. The market price may be affected by trading volume of the shares, general market and economic conditions and other factors beyond the control of the closed-end fund. The foregoing factors may result in the market price of the Common Shares being greater than, less than or equal to net

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asset value. The Board of Trustees has reviewed the structure of the Fund in light of its investment objective and policies and has determined that the closed-end structure is in the best interests of the shareholders. Investors should assume, therefore, that it is unlikely that the Board of Trustees would vote to convert the Fund to an open-end management investment company.

REPURCHASE OF COMMON SHARES; CONVERSION TO OPEN-END FUND

Repurchase Of Common Shares

The Board of Trustees will review periodically the trading range and activity of the Fund's shares with respect to its net asset value and the Board of Trustees may take certain actions to seek to reduce or eliminate any such discount. Such actions may include open market repurchases or tender offers for the Common Shares at net asset value. There can be no assurance that the Board of Trustees will decide to undertake any of these actions or that, if undertaken, such actions would result in the Common Shares trading at a price equal to or close to net asset value per Common Share.

Conversion To Open-End Fund

To convert the Fund to an open-end management investment company, the Declaration of Trust requires the affirmative vote of a majority of the Board of Trustees followed by the affirmative vote of the holders of at least 75% of the outstanding shares of each affected class or series of shares of the Fund, voting separately as a class or series, unless such action has been approved by at least 80% of the Board of Trustees, in which case "a majority of the outstanding voting securities" (as defined in the 1940 Act) of the Fund shall be required. A "majority of the outstanding voting securities" means the lesser of (i) 67% or more of the Fund's voting securities present at a meeting, if the holders of more than 50% of the Fund's outstanding voting securities are present or represented by proxy; or (ii) more than 50% of the Fund's outstanding voting securities. The foregoing vote would satisfy a separate requirement in the 1940 Act that any conversion of the Fund to an open-end management investment company be approved by the shareholders. If approved in the foregoing manner, conversion of the Fund to an open-end management investment company could not occur until 90 days after the shareholders' meeting at which such conversion was approved and would also require at least 30 days' prior notice to all shareholders.

In the event of conversion, the Common Shares would cease to be listed on the NYSE or other national securities exchange or market system. If the Fund were converted to an open-end management investment company, it is likely that new Common Shares would be sold at net asset value plus a sales load. The Board of Trustees believes, however, that the closed-end structure is desirable, given the Fund's investment objective and policies. Investors should assume, therefore, that it is unlikely that the Board of Trustees would vote to convert the Fund to an open-end management investment company.

Shareholders of an open-end management investment company may require the company to redeem their shares at any time (except in certain circumstances as authorized by or under the 1940 Act) at their net asset value, less such redemption charge, if any, as might be in effect at the time of a redemption. In the event of conversion, the Fund would expect to pay all such redemption requests in cash, but would intend to reserve the right to pay redemption requests in a combination of cash or securities. If such partial payment in securities were made, investors could incur brokerage costs in converting such securities to cash.

TAX MATTERS

The following discussion is a brief summary of certain U.S. federal income tax considerations affecting the Fund and the purchase, ownership and disposition of the Fund's Common Shares. A more complete discussion of the tax rules applicable to the Fund and its Common Shareholders can be found in the SAI that is incorporated by reference into this Prospectus. Except as otherwise noted, this discussion assumes you are a taxable U.S. person (as defined for U.S. federal income tax purposes) and that you hold your Common Shares as capital assets for U.S. federal income tax purposes (generally, assets held for investments). This discussion is based upon current provisions of the Code, the regulations promulgated thereunder and judicial and administrative authorities, all of which are subject to change or differing interpretations by the courts or the Internal Revenue Service (the "IRS"), possibly with retroactive effect. No attempt is made to present a detailed explanation of all U.S. federal tax concerns affecting the Fund and its Common Shareholders (including Common Shareholders subject to special treatment under U.S. federal income tax law).

The discussion set forth herein does not constitute tax advice and potential investors are urged to consult their own tax advisers to determine the specific U.S. federal, state, local and foreign tax consequences to them of investing in the Fund.

Taxation Of The Fund

The Fund intends to elect to be treated and to qualify annually as a RIC under Subchapter M of the Code. Accordingly, the Fund must, among other things, meet certain income, asset diversification and distribution requirements:

(i)	The Fund must derive in each taxable year at least 90% of its gross income from the following sources: (a) dividends, interest (including tax-exempt interest), payments with respect to certain securities loans, and gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including gain from options, futures and forward contracts) derived with respect to its business of investing in such stock, securities or foreign currencies; and (b) net income derived from interests in "qualified publicly traded partnerships" (as defined in the Code). Generally, a qualified publicly traded partnership includes a partnership the interests of which are traded on an established securities market or readily tradable on a secondary market (or the substantial equivalent thereof) and that derives less than 90% of its gross income from the items described in (a) above.
(ii)	The Fund must diversify its holdings so that, at the end of each quarter of each taxable year, (a) at least 50% of the market value of the Fund's total assets is represented by cash and cash items, including receivables, U.S. Government securities, the securities of other RICs and other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of the Fund's total assets and not more than 10% of the outstanding voting securities of such issuer and (b) not more than 25% of the market value of the Fund's total assets is invested in the securities (other than U.S. Government securities and the securities of other RICs) of (I) any one issuer, (II) any two or more issuers that the Fund controls and that are determined to be engaged in the same business or similar or related trades or businesses or (III) any one or more "qualified publicly traded partnerships" (as defined in the Code).

As long as the Fund qualifies as a RIC, the Fund generally will not be subject to U.S. federal income tax on income and gains that the Fund distributes to its Common Shareholders, provided that it distributes each taxable year at least

90% of the sum of (i) the Fund's investment company taxable income (which includes, among other items, dividends, interest, the excess of any net short-term capital gain over net long-term capital loss, and other taxable income, other than any net capital gain (defined below), reduced by deductible expenses) determined without regard to the deduction for dividends and distributions paid and (ii) the Fund's net tax-exempt interest (the excess of its gross tax-exempt interest over certain disallowed deductions). The Fund intends to distribute substantially all of such income each year. The Fund will be subject to income tax at regular corporate rates on any taxable income or gains that it does not distribute to its Common Shareholders.

The Fund will either distribute or retain for reinvestment all or part of its net capital gain (which consists of the excess of its net long-term capital gain over its net short-term capital loss). If any such gain is retained, the Fund will be subject to a corporate income tax (currently at a maximum rate of 35%) on such retained amount. In that event, the Fund expects to report the retained amount as undistributed capital gain in a notice to its Common Shareholders, each of whom, if subject to U.S. federal income tax on long-term capital gains, (i) will be required to include in income for U.S. federal income tax purposes as long-term capital gain its share of such undistributed amounts, (ii) will be entitled to credit its proportionate share of the tax paid by the Fund against its U.S. federal income tax liability and to claim refunds to the extent that the credit exceeds such liability and (iii) will increase its basis in its Common Shares by the amount of undistributed capital gain included in such Common Shareholder's gross income net of the tax deemed paid by the shareholder under clause (ii).

The Code imposes a 4% nondeductible excise tax on the Fund to the extent the Fund does not distribute by the end of any calendar year at least the sum of (i) 98% of its ordinary income (not taking into account any capital gain or loss) for the calendar year and (ii) 98.2% of its capital gain in excess of its capital loss (adjusted for certain ordinary losses) for a one-year period generally ending on October 31 of the calendar year. In addition, the minimum amounts that must be distributed in any year to avoid the excise tax will be increased or decreased to reflect any under-distribution or over- distribution, as the case may be, from the previous year. For purposes of the excise tax, the Fund

will be deemed to have distributed any income on which it paid federal income tax in the taxable year ending within the calendar year. While the Fund intends to distribute any income and capital gain in order to minimize imposition of the 4% nondeductible excise tax, there can be no assurance that amounts of the Fund's taxable income and capital gain will be distributed to entirely avoid the imposition of the excise tax. In that event, the Fund will be liable for the excise tax only on the amount by which it does not meet the foregoing distribution requirement.

Certain of the Fund's investment practices are subject to special and complex U.S. federal income tax provisions that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, (ii) convert lower taxed long-term capital gains or "qualified dividend income" into higher taxed short-term capital gains or ordinary income, (iii) convert an ordinary loss or a deduction into a capital loss (the deductibility of which is more limited), (iv) cause the Fund to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions and (vii) produce income that will not be "qualified" income for purposes of the 90% gross income requirement described above. These U.S. federal income tax provisions could therefore affect the amount, timing and character of distributions to Common Shareholders. The Fund intends to structure and monitor its transactions and may make certain tax elections and may be required to dispose of securities to mitigate the effect of these provisions and prevent disqualification of the Fund as a RIC (which may adversely affect the net after-tax return to the Fund).

If for any taxable year the Fund does not qualify as a RIC, all of its taxable income (including its net capital gain) will be subject to tax at regular corporate rates without any deduction for distributions to Common Shareholders, and such distributions will be taxable to the Common Shareholders as ordinary dividends to the extent of the Fund's current or accumulated earnings and profits. Provided that certain holding period and other requirements are met, such dividends, however, would be eligible (i) to be treated as qualified dividend income in the case of U.S. Common Shareholders taxed as individuals and (ii) for the dividends-received deduction in the case of U.S. Common Shareholders taxed as corporations. The Fund could be required to recognize unrealized gains, pay taxes and make distributions (which could be subject to interest charges) before requalifying for taxation as a RIC.

Taxation Of Common Shareholders

Distributions. Distributions paid to you by the Fund from its net capital gains, which is the excess of net long-term capital gain over net short-term capital loss, if any, that the Fund properly reports as capital gains dividends ("capital gain dividends") are taxable as long-term capital gains, regardless of how long you have held your Common Shares. All other dividends paid to you by the Fund (including dividends from short-term capital gains) from its current or accumulated earnings and profits ("ordinary income dividends") are generally subject to tax as ordinary income.

In the case of corporate shareholders, ordinary income dividends paid by the Fund generally will be eligible for the dividends received deduction to the extent that the Fund's income consists of dividend income from U.S. corporations and certain holding period requirements are satisfied by both the Fund and the corporate shareholders. In the case of individuals, any properly reported ordinary income dividend that you receive from the Fund generally will be eligible for taxation at the rates applicable to long-term capital gains to the extent that (i) the ordinary income dividend is attributable to "qualified dividend income" (i.e., generally dividends paid by U.S. corporations and certain foreign corporations) received by the Fund, (ii) the Fund satisfies certain holding period and other requirements with respect to the stock on which such qualified dividend income was paid and (iii) you satisfy certain holding period and other requirements with respect to your Common Shares. Qualified dividend income eligible for these special rules are not actually treated as capital gains, however, and thus will not be included in the computation of your net capital gain and generally cannot be used to offset any capital losses. In general, you may include as qualified dividend income only that portion of the dividends that may be and are so reported by the Fund as qualified dividend income. Dividend

income from passive foreign investment companies and, in general, dividend income from REITs is not eligible for the reduced rate for qualified dividend income and is taxed as ordinary income. Due to the nature of the Fund's investments, the Fund does not expect that a significant portion of its distributions will be eligible for the dividends received deduction or for the reduced rates applicable to qualified dividend income.

Any distributions you receive that are in excess of the Fund's current and accumulated earnings and profits will be treated as a tax-free return of capital to the extent of your adjusted tax basis in your Common Shares, and thereafter as capital gain from the sale of Common Shares. The amount of any Fund distribution that is treated as a tax-free

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return of capital will reduce your adjusted tax basis in your Common Shares, thereby increasing your potential gain, or reducing your potential loss, on any subsequent sale or other disposition of your Common Shares.

Dividends and other taxable distributions are taxable to you even if they are reinvested in additional Common Shares of the Fund. Dividends and other distributions paid by the Fund are generally treated as received by you at the time the dividend or distribution is made. If, however, the Fund pays you a dividend in January that was declared in the previous October, November or December and you were the Common Shareholder of record on a specified date in one of such months, then such dividend will be treated for U.S. federal income tax purposes as being paid by the Fund and received by you on December 31 of the year in which the dividend was declared.

The Fund will send you information after the end of each year setting forth the amount and tax status of any distributions paid to you by the Fund.

Sale of Common Shares. The sale or other disposition of Common Shares of the Fund will generally result in capital gain or loss to you and will be long-term capital gain or loss if you have held such Common Shares for more than one year. Any loss upon the sale or other disposition of Common Shares held for six months or less will be treated as long-term capital loss to the extent of any capital gain dividends received (including amounts credited as an undistributed capital gain) by you with respect to such Common Shares. Any loss you recognize on a sale or other disposition of Common Shares will be disallowed if you acquire other Common Shares (whether through the automatic reinvestment of dividends or otherwise) within a 61-day period beginning 30 days before and ending 30 days after your sale or exchange of the Common Shares. In such case, your tax basis in the Common Shares acquired will be adjusted to reflect the disallowed loss.

Current U.S. federal income tax law taxes both long-term and short-term capital gain of corporations at the rates applicable to ordinary income. For non-corporate taxpayers, short-term capital gain is currently taxed at rates applicable to ordinary income, while long-term capital gain generally is taxed at a reduced maximum rate. The deductibility of capital losses is subject to limitations under the Code.

Medicare Tax. An additional 3.8% Medicare tax will be imposed on certain net investment income (including ordinary dividends and capital gain distributions received from the Fund and net gains from redemptions or other taxable dispositions of Fund shares) of U.S. individuals, estates and trusts to the extent that such person’s “modified adjusted gross income” (in the case of an individual) or “adjusted gross income” (in the case of an estate or trust) exceed certain threshold amounts.

Backup Withholding.

The Fund may be required to withhold, for U.S. federal backup withholding tax purposes, a portion of the dividends, distributions and redemption proceeds payable to non-corporate Common Shareholders who fail to provide the Fund (or its agent) with their correct taxpayer identification number (in the case of individuals, generally, their social security number) or to make required certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax and any amount withheld may be refunded or credited against your U.S. federal income tax liability, if any, provided that you timely furnish the required information to the IRS.

The foregoing is a general and abbreviated summary of the provisions of the Code and the Treasury regulations in effect as they directly govern the taxation of the Fund and its Common Shareholders. These provisions are subject to change by legislative or administrative action, and any such change may be retroactive. A more complete discussion of the tax rules applicable to the Fund and its Common Shareholders can be found in the SAI that is incorporated by reference into this Prospectus. Common Shareholders are urged to consult their tax advisers regarding specific

questions as to U.S. federal, state, local and foreign income or other taxes.

PLAN OF DISTRIBUTION

The Fund may sell up to $100,000,000 in aggregate initial offering price of Common Shares from time to time under this Prospectus and any related Prospectus Supplement (1) directly to one or more purchases; (2) through agents; (3) through underwriters; (4) through dealers; or (5) pursuant to the Plan. Each Prospectus Supplement relating to an offering of Common Shares will state the terms of the offering, including:

- the names of any agents, underwriters or dealers;
- any sales loads or other items constituting underwriters' compensation;
- any discounts, commissions, or fees allowed or paid to dealers or agents;
- the public offering or purchase price of the offered Common Shares and the net proceeds the Fund will receive from the sale; and
- any securities exchange on which the offered Common Shares may be listed.

Direct Sales

The Fund may sell Common Shares directly to, and solicit offers from, institutional investors or others who may be deemed to be underwriters as defined in the 1933 Act for any resales of the securities. In this case, no underwriters or agents would be involved. The Fund may use electronic media, including the internet, to sell offered securities directly. The Fund will describe the terms of any of those sales in a Prospectus Supplement.

By Agents

The Fund may offer Common Shares through agents that the Fund may designate. The Fund will name any agent involved in the offer and sale and describe any commissions payable by the Fund in the Prospectus Supplement. Unless otherwise indicated in the Prospectus Supplement, the agents will be acting on a best efforts basis for the period of their appointment.

By Underwriters

The Fund may offer and sell Common Shares from time to time to one or more underwriters who would purchase the Common Shares as principal for resale to the public, either on a firm commitment or best efforts basis. If the Fund sells Common Shares to underwriters, the Fund will execute an underwriting agreement with them at the time of the sale and will name them in the Prospectus Supplement. In connection with these sales, the underwriters may be deemed to have received compensation from the Fund in the form of underwriting discounts and commissions. The underwriters also may receive commissions from purchasers of Common Shares for whom they may act as agent. Unless otherwise stated in the Prospectus Supplement, the underwriters will not be obligated to purchase the Common Shares unless the conditions set forth in the underwriting agreement are satisfied, and if the underwriters purchase any of the Common Shares, they will be required to purchase all of the offered Common Shares. The underwriters may sell the offered Common Shares to or through dealers, and those dealers may receive discounts, concessions or commissions from the underwriters as well as from the purchasers for whom they may act as agent. Any public offering price and any discounts or concessions allowed or reallowed or paid to dealers may be changed from time to time.

If a Prospectus Supplement so indicates, the Fund may grant the underwriters an option to purchase additional Common Shares at the public offering price, less the underwriting discounts and commissions, within 45 days from the date of the Prospectus Supplement, to cover any overallotments.

By Dealers

The Fund may offer and sell Common Shares from time to time to one or more dealers who would purchase the securities as principal. The dealers then may resell the offered Common Shares to the public at fixed or varying prices to be determined by those dealers at the time of resale. The Fund will set forth the names of the dealers and the terms of the transaction in the Prospectus Supplement.

General Information

Agents, underwriters, or dealers participating in an offering of Common Shares may be deemed to be underwriters, and any discounts and commission received by them and any profit realized by them on resale of the

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offered Common Shares for whom they act as agent, may be deemed to be underwriting discounts and commissions under the 1933 Act.

The Fund may offer to sell securities either at a fixed price or at prices that may vary, at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices.

To facilitate an offering of Common Shares in an underwritten transaction and in accordance with industry practice, the underwriters may engage in transactions that stabilize, maintain, or otherwise affect the market price of the Common Shares or any other security. Those transactions may include overallotment, entering stabilizing bids, effecting syndicate covering transactions, and reclaiming selling concessions allowed to an underwriter or a dealer.

- An overallotment in connection with an offering creates a short position in the common stock for the underwriter's own account.

- An underwriter may place a stabilizing bid to purchase the Common Shares for the purpose of pegging, fixing, or maintaining the price of the Common Shares.

- Underwriters may engage in syndicate covering transactions to cover overallotments or to stabilize the price of the Common Shares by bidding for, and purchasing, the Common Shares or any other securities in the open market in order to reduce a short position created in connection with the offering.

- The managing underwriter may impose a penalty bid on a syndicate member to reclaim a selling concession in connection with an offering when the Common Shares originally sold by the syndicate member is purchased in syndicate covering transactions or otherwise.

Any of these activities may stabilize or maintain the market price of the Common Shares above independent market levels. The underwriters are not required to engage in these activities, and may end any of these activities at any time.

Any underwriters to whom the offered Common Shares are sold for offering and sale may make a market in the offered Common Shares, but the underwriters will not be obligated to do so and may discontinue any market-making at any time without notice. There can be no assurance that there will be a liquid trading market for the offered Common Shares.

Under agreements entered into with the Fund, underwriters and agents may be entitled to indemnification by us against certain civil liabilities, including liabilities under the 1933 Act, or to contribution for payments the underwriters or agents may be required to make.

The underwriters, agents, and their affiliates may engage in financial or other business transactions with the Fund in the ordinary course of business.

Pursuant to a requirement of the Financial Industry Regulatory Authority, or FINRA, the maximum compensation to be received by any FINRA member or independent broker-dealer may not be greater than eight percent (8%) of the gross proceeds received by the Fund for the sale of any securities being registered pursuant to SEC Rule 415 under the Securities Act of 1933, as amended.

The aggregate offering price specified on the cover of this Prospectus relates to the offering of the Common Shares not yet issued as of the date of this Prospectus.

To the extent permitted under the 1940 Act and the rules and regulations promulgated thereunder, the underwriters may from time to time act as a broker or dealer and receive fees in connection with the execution of portfolio transactions on behalf of the Fund after the underwriters have ceased to be underwriters and, subject to certain restrictions, each may act as a broker while it is an underwriter.

A Prospectus and accompanying Prospectus Supplement in electronic form may be made available on the websites maintained by underwriters. The underwriters may agree to allocate a number of Common Shares for sale to their online brokerage account holders. Such allocations of Common Shares for internet distributions will be made on the same basis as other allocations. In addition, Common Shares may be sold by the underwriters to securities dealers who resell Common Shares to online brokerage account holders.

Automatic Dividend Reinvestment Plan

The Fund may issue and sell Common Shares pursuant to the Plan.

CUSTODIAN, ADMINISTRATOR, TRANSFER AGENT AND DIVIDEND-DISBURSING AGENT

The Bank of New York Mellon serves as the custodian of the Fund's assets pursuant to a custody agreement. Under the custody agreement, the custodian holds the Fund's assets in compliance with the 1940 Act. For its services, the custodian will receive a monthly fee based upon, among other things, the average value of the total assets of the Fund, plus certain charges for securities transactions. The Bank of New York Mellon is located at One Wall Street, New York, NY 10286.

Computershare Shareowner Services LLC serves as the Fund's dividend disbursing agent, Plan Agent under the Plan, transfer agent and registrar for the Common Shares of the Fund. Computershare Shareowner Services LLC is located at P.O. Box 30170, College Station, TX 77842-3170.

Rydex Fund Services, LLC, an affiliate of the Investment Adviser and the Sub-Adviser, fistrator to the Fund. Pursuant to an administration agreement, Rydex Fund Services, LLC is responsible for: (1) coordinating with the custodian and transfer agent and monitoring the services they provide to the Fund, (2) coordinating with and monitoring any other third parties furnishing services to the Fund, (3) supervising the maintenance by third parties of such books and records of the Fund as may be required by applicable federal or state law, (4) preparing or supervising the preparation by third parties of all federal, state and local tax returns and reports of the Fund required by applicable law, (5) preparing and, after approval by the Fund, filing and arranging for the distribution of proxy materials and periodic reports to shareholders of the Fund as required by applicable law, (6) preparing and, after approval by the Fund, arranging for the filing of such registration statements and other documents with the SEC and other federal and state regulatory authorities as may be required by applicable law, (7) reviewing and submitting to the officers of the Fund for their approval invoices or other requests for payment of the Fund's expenses and instructing the custodian to issue checks in payment thereof and (8) taking such other action with respect to the Fund as may be necessary in the opinion of the administrator to perform its duties under the Administration Agreement. For the services, the Fund pays Rydex Fund Services, LLC, as administrator, a fee, accrued daily and paid monthly, at the annual rate equal to 0.0275% of the first $200 million in average daily Managed Assets, 0.0200% of the next $300 million in average daily Managed Assets, $0.0150% of the next $500 million in average daily Managed Assets, and 0.0100% of average daily Managed Assets above $1 billion.

Rydex Fund Services, LLC also serves as fund accounting agent to the Fund. Pursuant to a fund accounting agreement, Rydex Fund Services, LLC performs certain accounting services, including maintaining ledgers; computing per share net asset value, income, gains, yields; verifying and reconciling daily trade activity; accruing expenses and determining outstanding receivables and payables; providing accounting reports; and providing accounting services and data in connection with regulatory filings. For the services, the Fund pays Rydex Fund Services, LLC, as fund accounting agent, a fee, accrued daily and paid monthly, at the annual rate equal to 0.0300% of the first $200 million in average daily Managed Assets, 0.0150% of the next $300 million in average daily Managed Assets, 0.0100% of the next $500 million in average daily Managed Assets, and 0.0075% of average daily Managed Assets above $1 billion, subject to a minimum fee of $50,000 per year.

LEGAL MATTERS

Certain legal matters will be passed on for the Fund by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York, in connection with the offering of the Common Shares.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP, McLean, Virginia, is the independent registered public accounting firm of the Fund. The Fund's independent registered public accounting firm is expected to render an opinion annually on the financial statements of the Fund.

ADDITIONAL INFORMATION

This Prospectus constitutes part of a Registration Statement filed by the Fund with the SEC under the Securities Act, and the 1940 Act. This Prospectus omits certain of the information contained in the Registration Statement, and reference is hereby made to the Registration Statement and related exhibits for further information with respect to the Fund and the Common Shares offered hereby. Any statements contained herein concerning the provisions of any document are not necessarily complete, and, in each instance, reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the SEC. Each such statement is qualified in its entirety by such reference. The complete Registration Statement may be obtained from the SEC upon payment of the fee prescribed by its rules and regulations or free of charge through the SEC's website (www.sec.gov).

PRIVACY PRINCIPLES OF THE FUND

The Fund is committed to maintaining the privacy of its shareholders and to safeguarding their non-public personal information. The following information is provided to help you understand what personal information the Fund collects, how the Fund protects that information and why, in certain cases, the Fund may share information with select other parties.

Generally, the Fund does not receive any non-public personal information relating to its shareholders, although certain non-public personal information of its shareholders may become available to the Fund. The Fund does not disclose any non-public personal information about its shareholders or former shareholders to anyone, except as permitted by law or as is necessary in order to service shareholder accounts (for example, to a transfer agent or third party administrator).

The Fund restricts access to non-public personal information about its shareholders to employees of the Adviser and its delegates and affiliates with a legitimate business need for the information. The Fund maintains physical, electronic and procedural safeguards designed to protect the non-public personal information of its shareholders.

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STATEMENT OF ADDITIONAL INFORMATION

$100,000,000
Guggenheim Credit Allocation Fund

Common Shares

PROSPECTUS

, 2014

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 is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Preliminary Statement of Additional Information, dated November [ ], 2014

Guggenheim Credit Allocation Fund

Statement of Additional Information

Guggenheim Credit Allocation Fund (the "Fund") is a diversified, closed-end management investment company. The Fund's investment objective is to seek total return through a combination of current income and capital appreciation. There can be no assurance that the Fund will achieve its investment objective or be able to structure its investments as anticipated, and you could lose some or all of your investment.

This Statement of Additional Information relates to the offering, from time to time, of up to $100,000,000 aggregate initial offering price of the Fund's common shares of beneficial interest, par value $0.01 per share ("Common Shares") in one or more offerings. This Statement of Additional Information ("SAI") is not a prospectus, but should be read in conjunction with the prospectus for the Fund, dated , 2014 (the "Prospectus"), and any related supplement to the Prospectus (each a "Prospectus Supplement"). Investors should obtain and read the Prospectus and any related Prospectus Supplement prior to purchasing Common Shares. A copy of the Prospectus and any related Prospectus Supplement may be obtained without charge, by calling the Fund at (800) 345-7999.

The Prospectus and this SAI omit certain of the information contained in the registration statement filed with the Securities and Exchange Commission (the "SEC"). The registration statement may be obtained from the SEC upon payment of the fee prescribed, or inspected at the SEC's office or via its website (www.sec.gov) at no charge. Capitalized terms used but not defined herein have the meanings ascribed to them in the Prospectus.

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THE FUND

The Fund is a diversified, closed-end management investment company organized as a statutory trust under the laws of the State of Delaware. The Fund's currently outstanding common shares of beneficial interest, par value $0.01 (the "Common Shares") are, and the Common Shares offered by this Prospectus, will be, subject to notice of issuance, listed on the New York Stock Exchange (the "NYSE") under the symbol "GGM."

INVESTMENT OBJECTIVE AND POLICIES

Additional Investment Policies and Portfolio Contents

The following information supplements the discussion of the Fund's investment objective, policies and techniques that are described in the Prospectus. The Fund may make the following investments, among others, some of which are part of its principal investment strategies and some of which are not. The principal risks of the Fund's principal investment strategies are discussed in the Prospectus. The Fund may not buy all of the types of securities or use all of the investment techniques that are described.

Real Property Asset Companies. The Fund may invest in securities issued by companies that own, produce, refine, process, transport and market "real property assets," such as real estate and the natural resources upon or within real estate. These real property asset companies consist of:

- Companies engaged in the ownership, construction, financing, management and/or sale of commercial, industrial and/or residential real estate (or that have assets primarily invested in such real estate); and

- Companies engaged in energy, natural resources and basic materials businesses and companies engaged in associated businesses. These companies may engaged in oil and gas exploration and production, gold and other precious metals, steel and iron ore production, energy services, forest products, chemicals, coal, alternative energy sources and environmental services, as well as related transportation companies and equipment manufacturers.

REITs. REITs possess certain risks which differ from an investment in common stocks. REITs are financial vehicles that pool investor's capital to purchase or finance real estate. REITs may concentrate their investments in specific geographic areas or in specific property types, i.e., hotels, shopping malls, residential complexes and office buildings. The market value of REIT shares and the ability of the REITs to distribute income may be adversely affected by several factors, including rising interest rates, changes in the national, state and local economic climate and real estate conditions, perceptions of prospective tenants of the safety, convenience and attractiveness of the properties, the ability of the owners to provide adequate management, maintenance and insurance, the cost of complying with the Americans with Disabilities Act, increased competition from new properties, the impact of present or future environmental legislation and compliance with environmental laws, changes in real estate taxes and other operating expenses, adverse changes in governmental rules and fiscal policies, adverse changes in zoning laws, and other factors beyond the control of the issuers of the REITs. In addition, distributions received by the Fund from REITs may consist of dividends, capital gains, and/or return of capital. As REITs generally pay a higher rate of dividends (on a pre-tax basis) than operating companies, to the extent application of the Fund's investment strategy results in the Fund investing in REIT shares, the percentage of the Fund's dividend income received from REIT shares will likely exceed the percentage of the Fund's portfolio which is comprised of REIT shares. There are three general categories of REITs: equity REITs, mortgage REITs and hybrid REITs. Equity REITs invest primarily in direct fee ownership or leasehold ownership of real property; they derive most of their income from rents. Mortgage REITs invest mostly in mortgages on real estate, which may secure construction, development or long-term loans, and the main source of their income is mortgage interest payments. Hybrid REITs hold both ownership and mortgage interests

in real estate.

Personal Property Asset Companies. The Fund may invest in securities issued by companies that own, produce, refine, process, transport and market “personal property assets.” Personal (as opposed to real) property assets include any tangible, movable chattel or asset. The Fund will typically seek to invest in securities of such

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personal property asset companies with investment performance that is not highly correlated with traditional market indexes, such as special situation transportation assets (e.g., railcars, ships, airplanes and automobiles) and collectibles (e.g., antiques, wine and fine art).

Eurodollar and Yankee Dollar Obligations. Eurodollar obligations are U.S. dollar-denominated certificates of deposit, time deposits and debt issues issued outside the U.S. capital markets by foreign branches of U.S. banks and by foreign sovereign and non-governmental issuers, including foreign banks. Yankee Dollar obligations are U.S. dollar-denominated obligations issued in the U.S. capital markets by foreign sovereign and non-governmental issuers. Eurodollar and Yankee Dollar obligations are generally subject to the same risks that apply to domestic debt securities, notably credit risk, market risk and liquidity risk. Additionally, Eurodollar (and to a limited extent, Yankee Dollar) obligations are subject to sovereign debt risk. See “Risks–Sovereign Debt Risk” in the Prospectus.

Municipal Leases and Certificates of Participation. The Fund may purchase municipal securities that represent lease obligations and certificates of participation in such leases. These carry special risks because the issuer of the securities may not be obligated to appropriate money annually to make payments under the lease. A municipal lease is an obligation in the form of a lease or installment purchase that is issued by a state or local government to acquire equipment and facilities. Income from such obligations generally is exempt from state and local taxes in the state of issuance. Leases and installment purchase or conditional sale contracts (which normally provide for title to the leased asset to pass eventually to the governmental issuer) have evolved as a means for governmental issuers to acquire property and equipment without meeting the constitutional and statutory requirements for the issuance of debt. The debt issuance limitations are deemed to be inapplicable because of the inclusion in many leases or contracts of “non-appropriation” clauses that relieve the governmental issuer of any obligation to make future payments under the lease or contract unless money is appropriated for such purpose by the appropriate legislative body on a yearly or other periodic basis. In addition, such leases or contracts may be subject to the temporary abatement of payments in the event the issuer is prevented from maintaining occupancy of the leased premises or utilizing the leased equipment or facilities. Although the obligations may be secured by the leased equipment or facilities, the disposition of the property in the event of non-appropriation or foreclosure might prove difficult, time consuming and costly, and result in a delay in recovering, or the failure to recover fully, the Fund’s original investment. To the extent that the Fund invests in unrated municipal leases or participates in such leases, the credit quality rating and risk of cancellation of such unrated leases will be monitored on an ongoing basis. In order to reduce this risk, the Fund will only purchase municipal securities representing lease obligations where the Adviser believes the issuer has a strong incentive to continue making appropriations until maturity.

A certificate of participation represents an undivided interest in an unmanaged pool of municipal leases, an installment purchase agreement or other instruments. The certificates are typically issued by a municipal agency, a trust or other entity that has received an assignment of the payments to be made by the state or political subdivision under such leases or installment purchase agreements. Such certificates provide the Fund with the right to a pro rata undivided interest in the underlying municipal securities. In addition, such participations generally provide the Fund with the right to demand payment, on not more than seven days’ notice, of all or any part of the Fund’s participation interest in the underlying municipal securities, plus accrued interest.

Municipal Notes. Municipal securities in the form of notes generally are used to provide for short-term capital needs, in anticipation of an issuer’s receipt of other revenues or financing, and typically have maturities of up to three years. Such instruments may consist of tax anticipation notes, revenue anticipation notes, bond anticipation notes, tax and revenue anticipation notes and construction loan notes. Tax anticipation notes are issued to finance the working capital needs of governments. Generally, they are issued in anticipation of various tax revenues, such as income, sales, property, use and business taxes, and are payable from these specific future taxes. Revenue anticipation notes are issued in expectation of receipt of other kinds of revenue, such as federal revenues available under federal revenue

sharing programs. Bond anticipation notes are issued to provide interim financing until long-term bond financing can be arranged. In most cases, the long-term bonds then provide the funds needed for repayment of the bond anticipation notes. Tax and revenue anticipation notes combine the funding sources of both tax anticipation notes and revenue anticipation notes. Construction loan notes are sold to provide construction financing. Mortgage notes insured by the Federal Housing Authority secure these notes; however, the proceeds from the insurance may be less than the economic equivalent of the payment of principal and interest on the mortgage note if there has been a default. The anticipated revenues from taxes, grants or bond financing generally secure the

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obligations of an issuer of municipal notes. An investment in such instruments, however, presents a risk that the anticipated revenues will not be received or that such revenues will be insufficient to satisfy the issuer's payment obligations under the notes or that refinancing will be otherwise unavailable.

Pre-Refunded Municipal Securities. The principal of, and interest on, pre-refunded municipal securities are no longer paid from the original revenue source for the securities. Instead, the source of such payments is typically an escrow fund consisting of U.S. Government securities. The assets in the escrow fund are derived from the proceeds of refunding bonds issued by the same issuer as the pre-refunded municipal securities. Issuers of municipal securities use this advance refunding technique to obtain more favorable terms with respect to securities that are not yet subject to call or redemption by the issuer. For example, advance refunding enables an issuer to refinance debt at lower market interest rates, restructure debt to improve cash flow or eliminate restrictive covenants in the indenture or other governing instrument for the pre-refunded municipal securities. However, except for a change in the revenue source from which principal and interest payments are made, the pre-refunded municipal securities remain outstanding on their original terms until they mature or are redeemed by the issuer. Pre-refunded municipal securities are subject to risks associated with other types of municipal securities, including credit risk, interest rate risk, reinvestment risk, market risk, and risks related to legislative, political and economic changes and adverse changes in the issuer's financial condition.

Private Activity Bonds. Private activity bonds, formerly referred to as industrial development bonds, are issued by or on behalf of public authorities to obtain funds to provide privately operated housing facilities, airport, mass transit or port facilities, sewage disposal, solid waste disposal or hazardous waste treatment or disposal facilities or certain local facilities for water supply, gas or electricity. Other types of private activity bonds, the proceeds of which are used for the construction, equipment, repair or improvement of privately operated industrial or commercial facilities, may constitute municipal securities, although the current federal tax laws place substantial limitations on the size of such issues. Under current law, a significant portion of the private activity bond market (except for private activity bonds, including refunding bonds, issued in 2009 and 2010) is subject to the federal alternative minimum tax. Payment of principal and interest on private activity bonds generally depends on the issuer's continued ability to generate sufficient revenues, which will be affected by factors such as the size of the entity, its capital structure, demand for its products or services, competition, general economic conditions, governmental regulation, and the entity's dependence on revenues for the operation of the particular facility being financed by the bond.

Inverse Floating Rate Securities. Inverse floating rate securities (sometimes referred to as "inverse floaters") are securities whose interest rates bear an inverse relationship to the interest rate on another security or the value of an index. Generally, inverse floating rate securities represent beneficial interests in a special purpose trust formed by a third party sponsor for the purpose of holding municipal bonds. The special purpose trust typically sells two classes of beneficial interests or securities: short-term floating rate municipal securities (sometimes referred to as short-term floaters or tender option bonds), which are sold to third party investors, and inverse floating rate municipal securities, which the Fund would purchase. The short-term floating rate securities have first priority on the cash flow from the municipal bonds held by the special purpose trust. Typically, a third party, such as a bank, broker-dealer or other financial institution, grants the floating rate security holders the option, at periodic intervals, to tender their securities to the institution and receive the face value thereof. As consideration for providing the option, the financial institution receives periodic fees. The holder of the short-term floater effectively holds a demand obligation that bears interest at the prevailing short-term, tax-exempt rate. However, the institution granting the tender option will not be obligated to accept tendered short-term floaters in the event of certain defaults or a significant downgrade in the credit rating assigned to the bond issuer. For its inverse floating rate investment, the Fund receives the residual cash flow from the special purpose trust. Because the holder of the short-term floater is generally assured liquidity at the face value of the security, the Fund as the holder of the inverse floater assumes the interest rate cash flow risk and the market value risk associated with the municipal security deposited into the special purpose trust. The volatility of the interest cash flow

and the residual market value will vary with the degree to which the special purpose trust is leveraged. This is expressed in the ratio of the total face value of the short-term floaters in relation to the value of the residual inverse floaters that are issued by the special purpose trust. The Fund expects to make limited investments in inverse floaters, with leverage ratios that may vary at inception between one and three times. In addition, all voting rights and decisions to be made with respect to any other rights relating to the municipal bonds held in the special purpose trust are passed through to the Fund, as the holder of the residual inverse floating rate securities.

Because increases in the interest rate on the short-term floaters reduce the residual interest paid on inverse floaters, and because fluctuations in the value of the municipal bond deposited in the special purpose trust affect the value of the inverse floater only, and not the value of the short-term floater issued by the special purpose trust, inverse floaters' value is generally more volatile than that of fixed rate bonds. The market price of inverse floating rate securities is generally more volatile than the underlying securities due to the leveraging effect of this ownership structure. These securities generally will underperform the market of fixed rate bonds in a rising interest rate environment (i.e., when bond values are falling), but tend to outperform the market of fixed rate bonds when interest rates decline or remain relatively stable. Although volatile, inverse floaters typically offer the potential for yields exceeding the yields available on fixed rate bonds with comparable credit quality, coupon, call provisions and maturity. Inverse floaters have varying degrees of liquidity based upon the liquidity of the underlying securities deposited in a tender option bond trust.

Tender Option Bonds. The Fund may also invest in tender option bonds issued by special purpose trusts. Tender option bonds may take the form of short-term floating rate securities or the option period may be substantially longer. Generally, the interest rate earned will be based upon the market rates for municipal securities with maturities or remarketing provisions that are comparable in duration to the periodic interval of the tender option, which may vary from weekly, to monthly, to extended periods of one year or multiple years. Since the option feature has a shorter term than the final maturity or first call date of the underlying bond deposited in the special purpose trust, the Fund as the holder of the tender option bond relies upon the terms of the agreement with the financial institution furnishing the option as well as the credit strength of that institution. As further assurance of liquidity, the terms of the special purpose trust provide for a liquidation of the municipal security deposited in the special purpose trust and the application of the proceeds to pay off the tender option bond. The special purpose trusts that are organized to issue both short-term floating rate securities and inverse floaters generally include liquidation triggers to protect the investor in the tender option bond. Generally, the special purpose trusts do not have recourse to the investors in the residual inverse floating rate securities. The Fund, as the holder of a tender option bond, would be subject to the interest rate and credit risk associated with the underlying bond and, because tender options bonds are a form of leverage, to magnified exposure to the positive or negative return of the underlying bond. The Fund also would be subject to risks related to the financial condition of the liquidity facility. In addition, the potential of a special purpose trust termination exposes the Fund to additional credit and reinvestment risks.

Securities Subject To Reorganization. The Fund may invest in securities of companies for which a tender or exchange offer has been made or announced and in securities of companies for which a merger, consolidation, liquidation or reorganization proposal has been announced if, in the judgment of the Adviser, there is a reasonable prospect of high total return significantly greater than the brokerage and other transaction expenses involved. In general, securities which are the subject of such an offer or proposal sell at a premium to their historic market price immediately prior to the announcement of the offer or may also discount what the stated or appraised value of the security would be if the contemplated transaction were approved or consummated. Such investments may be advantageous when the discount significantly overstates the risk of the contingencies involved; significantly undervalues the securities, assets or cash to be received by shareholders of the prospective portfolio company as a result of the contemplated transaction; or fails adequately to recognize the possibility that the offer or proposal may be replaced or superseded by an offer or proposal of greater value. The evaluation of such contingencies requires unusually broad knowledge and experience on the part of the Adviser which must appraise not only the value of the issuer and its component businesses as well as the assets or securities to be received as a result of the contemplated transaction but also the financial resources and business motivation of the offer and/or the dynamics and business climate when the offer or proposal is in process. Since such investments are ordinarily short-term in nature, they will tend to increase the turnover ratio of the Fund, thereby increasing its brokerage and other transaction expenses. The Adviser intends to select investments of the type described which, in its view, have a reasonable prospect of capital appreciation which is significant in relation to both the risk involved and the potential of available alternative

investments.

Rights Offerings and Warrants to Purchase. The Fund may participate in rights offerings and may purchase warrants, which are privileges issued by corporations enabling the owners to subscribe to and purchase a specified number of shares of the corporation at a specified price during a specified period of time. Subscription rights normally have a short life span to expiration. The purchase of rights or warrants involves the risk that the Fund could lose the purchase value of a right or warrant if the right to subscribe to additional shares is not exercised prior to the

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rights' and warrants' expiration. Also, the purchase of rights and/or warrants involves the risk that the effective price paid for the right and/or warrant added to the subscription price of the related security may exceed the value of the subscribed security's market price such as when there is no movement in the level of the underlying security.

Depositary Receipts. The Fund may invest in sponsored and unsponsored American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), Global Depositary Receipts ("GDRs") and other similar global instruments. ADRs typically are issued by a U.S. bank or trust company and evidence ownership of underlying securities issued by a non-U.S. corporation. EDRs, which are sometimes referred to as Continental Depositary Receipts, are receipts issued in Europe, typically by non-U.S. banks and trust companies, that evidence ownership of either non-U.S. or domestic underlying securities. GDRs are depositary receipts structured like global debt issues to facilitate trading on an international basis. Unsponsored ADR, EDR and GDR programs are organized independently and without the cooperation of the issuer of the underlying securities. As a result, available information concerning the issuer may not be as current as for sponsored ADRs, EDRs and GDRs, and the prices of unsponsored ADRs, EDRs and GDRs may be more volatile than if such instruments were sponsored by the issuer. Investments in ADRs, EDRs and GDRs present additional investment considerations associated with non-U.S. securities.

Equity-Linked Notes. Equity-linked notes are hybrid securities with characteristics of both fixed-income and equity securities. An equity-linked note is a debt instrument, usually a bond, that pays interest based upon the performance of an underlying equity, which can be a single stock, basket of stocks or an equity index. Instead of paying a predetermined coupon, equity-linked notes link the interest payment to the performance of a particular equity market index or basket of stocks or commodities. The interest payment is typically based on the percentage increase in an index from a predetermined level, but alternatively may be based on the decrease in the index. The interest payment may in some cases be leveraged so that, in percentage terms, it exceeds the relative performance of the market. Equity-linked notes generally are subject to the risks associated with the securities of equity issuers, default risk and counterparty risk.

Derivative Instruments

Options Generally. There can be no assurance that the Fund's options strategies will be successful. Principal factors affecting the market value of options consist of supply and demand, interest rates, the current market price and price volatility of the underlying security or currency and the time remaining until the expiration date of the option. Gains and losses on investments in options depend, in part, on the ability of the Adviser to predict correctly the effect of these factors. The use of options cannot serve as a complete hedge since the price movement of securities underlying the options will not necessarily follow the price movements of the portfolio securities subject to the hedge.

An option position may be closed out only on an exchange that provides a secondary market for an option of the same series or in a private transaction. Although the Fund will generally purchase or write only those options for which there appears to be a liquid secondary market, there is no assurance that a liquid secondary market on an exchange will exist for any particular option. In such event it may not be possible to effect closing transactions in particular options, so that the Fund would have to exercise its options in order to realize any profit and would incur brokerage commissions upon the exercise of call options and upon the subsequent disposition of underlying securities for the exercise of put options. If the Fund, as a covered call option writer, is unable to effect a closing purchase transaction in a secondary market, it will not be able to sell the underlying security until the option expires or it delivers the underlying security upon exercise or otherwise covers the position.

Purchasing Options. Buying an options contract gives the Fund the right to purchase securities from third parties or gives the Fund the right to sell securities to third parties for a fixed price at a future date. In addition to options on individual securities, the Fund may buy and sell put and call options on currencies, baskets of securities or currencies,

indices and other instruments. Options bought by the Fund may be “cash settled,” meaning that the purchaser of the option has the right to receive a cash payment from the writer of the option to the extent that the value of the underlying position rises above (in the case of a call) or falls below (in the case of a put) the exercise price of the option. The Fund may purchase exchange traded and over-the-counter options.

If the Fund is the holder of an option it may liquidate its position by effecting a closing sale transaction. This is accomplished by selling an option of the same series as the option previously purchased. There can be no assurance that either a closing purchase or sale transaction can be effected when the Fund so desires.

The use of purchased put options on equity indexes as a hedging strategy would involve certain risks similar to those of written call options. Any such strategy may not work as intended due to a lack of correlation between changes in value of the index underlying the put option and changes in the market value of the Fund's portfolio securities. Further, a put option acquired by the Fund and not sold prior to expiration will expire worthless if the cash value of the index or market value of the underlying security at expiration exceeds the exercise price of the option, thereby causing the Fund to lose its entire investment in the option.

Futures Contracts and Options on Futures. The Fund may enter into futures contracts or options on futures contracts. It is anticipated that these investments, if any, will be made by the Fund primarily for the purpose of hedging against changes in the value of its portfolio securities and in the value of securities it intends to purchase. Such investments will only be made if they are economically appropriate to the reduction of risks involved in the management of the Fund. In this regard, the Fund may enter into futures contracts or options on futures for the purchase or sale of securities indices or other financial instruments.

A "sale" of a futures contract (or a "short" futures position) means the assumption of a contractual obligation to deliver the securities underlying the contract at a specified price at a specified future time. A "purchase" of a futures contract (or a "long" futures position) means the assumption of a contractual obligation to acquire the securities underlying the contract at a specified price at a specified future time. Certain futures contracts, including stock and bond index futures, are settled on a net cash payment basis rather than by the sale and delivery of the securities underlying the futures contracts.

No consideration will be paid or received by the Fund upon the purchase or sale of a futures contract. Initially, the Fund will be required to deposit with the broker an amount of cash or cash equivalents equal to approximately 1% to 10% of the contract amount (this amount is subject to change by the exchange or board of trade on which the contract is traded and brokers or members of such board of trade may charge a higher amount). This amount is known as the "initial margin" and is in the nature of a performance bond or good faith deposit on the contract. Subsequent payments, known as "variation margin," to and from the broker will be made daily as the price of the index or security underlying the futures contract fluctuates. At any time prior to the expiration of the futures contract, the Fund may elect to close the position by taking an opposite position, which will operate to terminate its existing position in the contract.

An option on a futures contract gives the purchaser the right, in return for the premium paid, to assume a position in a futures contract at a specified exercise price at any time prior to the expiration of the option. Upon exercise of an option, the delivery of the futures position by the writer of the option to the holder of the option will be accompanied by delivery of the accumulated balance in the writer's futures margin account attributable to that contract, which represents the amount by which the market price of the futures contract exceeds, in the case of a call, or is less than, in the case of a put, the exercise price of the option on the futures contract. The potential loss related to the purchase of an option on futures contracts is limited to the premium paid for the option (plus transaction costs). Because the value of the option purchased is fixed at the point of sale, there are no daily cash payments by the purchaser to reflect changes in the value of the underlying contract; however, the value of the option does change daily and that change would be reflected in the net assets of the Fund. Futures transactions and options on futures must be covered by assets or instruments acceptable under applicable segregation and coverage requirements.

The purchase of a call option on a futures contract is similar in some respects to the purchase of a call option on an individual security. Depending on the pricing of the option compared to either the price of the futures contract upon

which it is based or the price of the underlying debt securities, it may or may not be less risky than ownership of the futures contract or underlying debt securities. As with the purchase of futures contracts, when the Fund is not fully invested it may purchase a call option on a futures contract to hedge against a market advance due to declining interest rates.

The purchase of a put option on a futures contract is similar to the purchase of protective put options on portfolio securities. The Fund may purchase a put option on a futures contract to hedge the Fund's portfolio against the risk of rising interest rates and consequent reduction in the value of portfolio securities.

Interest Rate Futures Contracts and Options Thereon. The Fund may purchase or sell interest rate futures contracts to take advantage of or to protect the Fund against fluctuations in interest rates affecting the value of securities that the Fund holds or intends to acquire. For example, if interest rates are expected to increase, the Fund might sell futures contracts on securities, the values of which historically have a high degree of positive correlation to the values of the Fund's portfolio securities. Such a sale would have an effect similar to selling an equivalent value of the Fund's portfolio securities. If interest rates increase, the value of the Fund's portfolio securities will decline, but the value of the futures contracts to the Fund will increase at approximately an equivalent rate thereby keeping the net asset value of the Fund from declining as much as it otherwise would have. The Fund could accomplish similar results by selling securities with longer maturities and investing in securities with shorter maturities when interest rates are expected to increase. However, since the futures market may be more liquid than the cash market, the use of futures contracts as a risk management technique allows the Fund to maintain a defensive position without having to sell its portfolio securities.

Similarly, the Fund may purchase interest rate futures contracts when it is expected that interest rates may decline. The purchase of futures contracts for this purpose constitutes a hedge against increases in the price of securities (caused by declining interest rates) that the Fund intends to acquire. Since fluctuations in the value of appropriately selected futures contracts should approximate that of the securities that will be purchased, the Fund can take advantage of the anticipated rise in the cost of the securities without actually buying them. Subsequently, the Fund can make its intended purchase of the securities in the cash market and currently liquidate its futures position.

Securities Index Futures Contracts and Options Thereon. Purchases or sales of securities index futures contracts are used for hedging purposes to attempt to protect the Fund's current or intended investments from broad fluctuations in stock or bond prices. For example, the Fund may sell securities index futures contracts in anticipation of or during a market decline to attempt to offset the decrease in market value of the Fund's securities portfolio that might otherwise result. If such decline occurs, the loss in value of portfolio securities may be offset, in whole or part, by gains on the futures position. When the Fund is not fully invested in the securities market and anticipates a significant market advance, it may purchase securities index futures contracts in order to gain rapid market exposure that may, in part or entirely, offset increases in the cost of securities that the Fund intends to purchase. As such purchases are made, the corresponding positions in securities index futures contracts will be closed out. The Fund may write put and call options on securities index futures contracts for hedging purposes.

Additional Risks Relating to Derivative Instruments

Risks of Purchasing Options. To the extent that the Fund purchases options, the Fund will be subject to the following additional risks. If a put or call option purchased by the Fund is not sold when it has remaining value, and if the market price of the underlying security remains equal to or greater than the exercise price (in the case of a put), or remains less than or equal to the exercise price (in the case of a call), the Fund will lose its entire investment in the option. Also, where a put or call option on a particular security is purchased to hedge against price movements in a related security, the price of the put or call option may move more or less than the price of the related security. If restrictions on exercise were imposed, the Fund might be unable to exercise an option it had purchased. If the Fund were unable to close out an option that it had purchased on a security, it would have to exercise the option in order to realize any profit or the option may expire worthless.

Special Risk Considerations Relating to Futures and Options Thereon. Futures and options on futures entail certain risks: no assurance that futures contracts or options on futures can be offset at favorable prices, possible reduction of the yield of the Fund due to the use of hedging, possible reduction in value of both the securities hedged and the hedging instrument, possible lack of liquidity due to daily limits on price fluctuations, imperfect correlation between the contracts and the securities being hedged and losses from investing in futures transactions that are potentially unlimited. The Fund's ability to establish and close out positions in futures contracts and options thereon

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will be subject to the development and maintenance of liquid markets. Although the Fund generally will purchase or sell only those futures contracts and options thereon for which there appears to be a liquid market, there is no assurance that a liquid market on an exchange will exist for any particular futures contract or option thereon at any particular time. In the event no liquid market exists for a particular futures contract or option thereon in which the Fund maintains a position, it will not be possible to effect a closing transaction in that contract or to do so at a satisfactory price, and the Fund would either have to make or take delivery under the futures contract or, in the case of a written option, wait to sell the underlying securities until the option expires or is exercised or, in the case of a purchased option, exercise the option. In the case of a futures contract or an option thereon that the Fund has written and that the Fund is unable to close, the Fund would be required to maintain margin deposits on the futures contract or option thereon and to make variation margin payments until the contract is closed.

Successful use of futures contracts and options thereon by the Fund is subject to the ability of the Adviser to predict correctly movements in the direction of interest rates. If the Adviser's expectations are not met, the Fund will be in a worse position than if a hedging strategy had not been pursued. For example, if the Fund has hedged against the possibility of an increase in interest rates that would adversely affect the price of securities in its portfolio and the price of such securities increases instead, the Fund will lose part or all of the benefit of the increased value of its securities because it will have offsetting losses in its futures positions. In addition, in such situations, if the Fund has insufficient cash to meet daily variation margin requirements, it may have to sell securities to meet the requirements. These sales may, but will not necessarily, be at increased prices which reflect the rising market. The Fund may have to sell securities at a time when it is disadvantageous to do so.

Additional Risks of Options, Futures Contracts and Options on Futures Contracts and Forward Contracts Traded on Foreign Exchanges. Options, futures contracts and options thereon and forward contracts on securities may be traded on foreign exchanges. Such transactions may not be regulated as effectively as similar transactions in the United States, may not involve a clearing mechanism and related guarantees, and are subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities. The value of such positions also could be adversely affected by (i) other complex foreign political, legal and economic factors, (ii) lesser availability than in the United States of data on which to make trading decisions, (iii) delays in the Fund's ability to act upon economic events occurring in the foreign markets during non-business hours in the United States, (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the United States and (v) lesser trading volume. Exchanges on which options, futures and options on futures are traded may impose limits on the positions that the Fund may take in certain circumstances.

Segregation and Cover Requirements. Futures contracts, swaps, caps, floors and collars, options on securities, indices and futures contracts sold by the Fund are generally subject to earmarking and coverage requirements of either the CFTC or the SEC, with the result that, if the Fund does not hold the security or futures contract underlying the instrument, the Fund intends to designate on its books and records on an ongoing basis, cash or liquid securities in an amount at least equal to the Fund's obligations with respect to such instruments. If the Fund acts as the seller of a credit default swap, the Fund will earmark cash or liquid securities in an amount at least equal to the notional value of the swap, less any amounts owed to the Fund under such swap. Such amounts fluctuate as the obligations increase or decrease. The earmarking requirement can result in the Fund maintaining securities positions it would otherwise liquidate, segregating assets at a time when it might be disadvantageous to do so or otherwise restrict portfolio management.

Legislation and Regulation Risk. Legislation regarding regulation of the financial sector, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which was signed into law in July 2010, has changed the way in which certain derivative instruments are regulated and/or traded. Such regulation may impact the availability, liquidity and cost of derivative instruments. While regulatory or legislative activity may not necessarily

have a direct, immediate effect upon the Fund, it is possible that implementation of these measures or any future measures, could potentially limit or completely restrict the ability of the Fund to use certain derivative instruments as a part of its investment strategy, increase the costs of using these instruments or make them less effective. Limits or restrictions applicable to the counterparties with which the Fund engages in derivatives transactions could also prevent the Fund from using these instruments or affect the pricing or other factors relating to these instruments, or may change the availability of certain investments. There can be no assurance that such legislation or regulation will not have a material adverse effect on the Fund or will not impair the ability of the Fund to utilize certain derivatives transactions or achieve its investment objective.

Amended Commodity Futures Trading Commission ("CFTC") Rule 4.5 permits investment advisers to registered investment companies to claim an exclusion from the definition of "commodity pool operator" under the Commodity Exchange Act ("CEA") with respect to a fund, provided certain requirements are met. In order to permit the Investment Adviser to claim this exclusion with respect to the Fund, the Fund will limit its transactions in futures, options on futures and swaps (excluding transactions entered into for "bona fide hedging purposes," as defined under CFTC regulations) such that either: (i) the aggregate initial margin and premiums required to establish its futures, options on futures and swaps do not exceed 5% of the liquidation value of the Fund's portfolio, after taking into account unrealized profits and losses on such positions; or (ii) the aggregate net notional value of its futures, options on futures and swaps does not exceed 100% of the liquidation value of the Fund's portfolio, after taking into account unrealized profits and losses on such positions. Accordingly, the Fund is not subject to regulation under the CEA or otherwise regulated by the CFTC. If the Adviser was unable to claim the exclusion with respect to the Fund, the Adviser would become subject to registration and regulation as a commodity pool operator, which would subject the Adviser and the Fund to additional registration and regulatory requirements and increased operating expenses.

Loans of Portfolio Securities

Consistent with applicable regulatory requirements and the Fund's investment restrictions, the Fund may lend its portfolio securities to securities broker-dealers or financial institutions, provided that such loans are callable at any time by the Fund (subject to notice provisions described below), and are at all times secured by cash or cash equivalents, which are earmarked or segregated pursuant to applicable regulations and that are at least equal to the market value, determined daily, of the loaned securities. The advantage of such loans is that the Fund continues to receive the income on the loaned securities while at the same time earns interest on the cash amounts deposited as collateral, which will be invested in short-term obligations. The Fund will not lend its portfolio securities if such loans are not permitted by the laws or regulations of any state in which its shares are qualified for sale. The Fund's loans of portfolio securities will be collateralized in accordance with applicable regulatory requirements and no loan will cause the value of all loaned securities to exceed 33S% of the value of the Fund's total assets.

A loan may generally be terminated by the borrower on one business day notice, or by the Fund on five business days' notice. If the borrower fails to deliver the loaned securities within five days after receipt of notice, the Fund could use the collateral to replace the securities while holding the borrower liable for any excess of replacement cost over collateral. As with any extensions of credit, there are risks of delay in recovery and in some cases even loss of rights in the collateral should the borrower of the securities fail financially. However, these loans of portfolio securities will only be made to firms deemed by the Fund's management to be creditworthy and when the income that can be earned from such loans justifies the attendant risks. The Board of Trustees will oversee the creditworthiness of the contracting parties on an ongoing basis. Upon termination of the loan, the borrower is required to return the securities to the Fund. Any gain or loss in the market price during the loan period would inure to the Fund. The risks associated with loans of portfolio securities are substantially similar to those associated with repurchase agreements. Thus, if the counterparty to the loan petitions for bankruptcy or becomes subject to the U.S. Bankruptcy Code, the law regarding the rights of the Fund is unsettled. As a result, under extreme circumstances, there may be a restriction on the Fund's ability to sell the collateral, and the Fund would suffer a loss. When voting or consent rights that accompany loaned securities pass to the borrower, the Fund will follow the policy of calling the loaned securities, to be delivered within one day after notice, to permit the exercise of such rights if the matters involved would have a material effect on the Fund's investment in such loaned securities. The Fund will pay reasonable finder's, administrative and custodial fees in connection with a loan of its securities.

INVESTMENT RESTRICTIONS

The Fund operates under the following restrictions that constitute fundamental policies that, except as otherwise noted, cannot be changed without the affirmative vote of the holders of a majority of the outstanding voting securities of the Fund voting together as a single class, which is defined by the 1940 Act as the lesser of (i) 67% or more of the Fund's voting securities present at a meeting, if the holders of more than 50% of the Fund's outstanding voting securities are present or represented by proxy; or (ii) more than 50% of the Fund's outstanding voting securities. Except as otherwise noted, all percentage limitations set forth below apply immediately after a purchase or initial investment and any subsequent change in any applicable percentage resulting from market fluctuations does not require any action. These restrictions provide that the Fund shall not:

1. Issue senior securities nor borrow money, except the Fund may issue senior securities or borrow money to the extent permitted by the 1940 Act, as amended from time to time, the rules and regulation promulgated by the SEC under the 1940 Act, as amended from time to time, or an exemption or other relief applicable to the Fund from the provisions of the 1940 Act, as amended from time to time.

2. Act as underwriter of another issuer's securities, except to the extent that the Fund may be deemed to be an underwriter within the meaning of the Securities Act, in connection with the purchase and sale of portfolio securities.

3. Invest in any security if, as a result, 25% or more of the value of the Fund's total assets, taken at market value at the time of each investment, are in the securities of issuers in any particular industry or group of related industries; except that this policy shall not apply to (i) securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities, (ii) securities issued by state and municipal governments or their political subdivisions, agencies, authorities and instrumentalities (other than those securities backed only by the assets and revenues of non-governmental users with respect to which the Fund will not invest 25% or more of the value of the Fund's total assets, taken at market value at the time of each investment, in securities backed by the same source of revenue), and (iii) securities issued by other investment companies, which shall not constitute any industry.

4. Purchase or sell real estate except that the Fund may: (a) acquire or lease office space for its own use, (b) invest in securities of issuers that invest in real estate or interests therein or that are engaged in or operate in the real estate industry, (c) invest in securities that are secured by real estate or interests therein, (d) purchase and sell mortgage related securities, (e) hold and sell real estate acquired by the Fund as a result of the ownership of securities and (f) as otherwise permitted by the 1940 Act, as amended from time to time, the rules and regulation promulgated by the SEC under the 1940 Act, as amended from time to time, or an exemption or other relief applicable to the Fund from the provisions of the 1940 Act, as amended from time to time.

5. Purchase or sell physical commodities unless acquired as a result of ownership of securities or other instruments; provided that this restriction shall not prohibit the Fund from purchasing or selling options, futures contracts and related options thereon, forward contracts, swaps, caps, floors, collars and any other financial instruments or from investing in securities or other instruments backed by physical commodities or as otherwise permitted by the 1940 Act, as amended from time to time, the rules and regulation promulgated by the SEC under the 1940 Act, as amended from time to time, or an exemption or other relief applicable to the Fund from the provisions of the 1940 Act, as amended from time to time.

6. Make loans of money or property to any person, except (a) to the extent that securities or interests in which the Fund may invest are considered to be loans, (b) through the loan of portfolio securities in an amount up to 33S% of the Fund's total assets, (c) by engaging in repurchase agreements or (d) as may otherwise be permitted by the 1940 Act, as amended from time to time, the rules and regulation promulgated by the SEC under the 1940 Act, as amended from time to time, or an exemption or other relief applicable to the Fund from the provisions of the 1940 Act, as amended from time to time.

7. With respect to 75% of the value of the Fund's total assets, purchase any securities (other than obligations issued or guaranteed by the U.S. Government or by its agencies or instrumentalities), if as a result more than 5% of the Fund's total assets would then be invested in securities of a single issuer or if as a result the Fund would hold more than 10% of the outstanding voting securities of any single issuer.

All other investment policies of the Fund set forth in the Prospectus and this SAI, including the Fund's investment objective, are not considered fundamental policies and may be changed by the Board of Trustees without any vote of shareholders.

For purposes of investment restriction number 3 set forth above, the Adviser will, on behalf of the Fund, make reasonable determinations as to the appropriate industry classification to assign to each security or instrument in which the Fund invests. The definition of what constitutes a particular "industry" is an evolving one, particularly for industries or sectors within industries that are new or are undergoing rapid development. Some securities could reasonably fall within more than one industry category. The Fund's industry concentration policy does not preclude it from focusing investments in issuers in a group of related economic sectors. For purposes of the industry concentration policy, a foreign government is considered to be a separate industry, although currency positions are not considered to be an investment in a foreign government for these purposes.

MANAGEMENT OF THE FUND

Board of Trustees

Overall responsibility for management and supervision of the Fund rests with the Board of Trustees (the "Board of Trustees" or the "Board"). The Board of Trustees approves all significant agreements between the Fund and the companies that furnish the Fund with services, including agreements with the Investment Adviser and the Sub-Adviser.

The Trustees are divided into three classes. Trustees serve until their successors have been duly elected. Following is a list of the names, business addresses, dates of birth, present positions with the Fund, length of time served with the Fund, principal occupations during the past five years and other directorships held by each Trustee.

Name, Business Address(1) and Age	Position Held with the Fund	Term of Office(2) and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex(3) Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
INDEPENDENT TRUSTEES:					
Randall C. Barnes Year of Birth: 1951	Trustee	Since 2013	Current: Private Investor (2001-present). Former: Senior Vice President and Treasurer, PepsiCo, Inc. (1993-1997); President, Pizza Hut International (1991-1993); Senior Vice President, Strategic Planning and New Business Development, PepsiCo, Inc. (1987-1990).	86	Current: Trustee, Purpose, Inc., (2014-present).
Donald A. Chubb, Jr. Year of Birth: 1946	Trustee	Since 2014	Current: Business broker and manager of commercial real estate, Griffith & Blair, Inc. (1997-present).	82	None

Jerry B. Farley Year of Birth: 1946	Trustee	Since 2014	Current: President, Washburn University (1997-present).	82	Current: Westar Energy, Inc. (2004-present); CoreFirst Bank & Trust (2000-present).
Roman Friedrich III Year of Birth: 1946	Trustee	Since 2013	Current: Founder and President, Roman Friedrich & Company (1998-present). Former: Senior Managing Director, MLV & Co. LLC (2010-2011).	82	Current: Zincore Metals, Inc. (2009-present). Former: Mercator Minerals Ltd. (2013-2014); First Americas Gold Corp. (2012-2014); Blue Sky Uranium Corp. (2011-2012); Axiom Gold and Silver Corp. (2011-2012); Stratagold Corp. (2003-2009); GFM Resources Ltd. (2005-2010).
Robert B. Karn III Year of Birth: 1942	Trustee	Since 2013	Current: Consultant (1998-present). Former: Arthur Andersen (1965-1997) and Managing Partner, Financial and Economic Consulting, St. Louis office (1987-1997).	82	Current: Peabody Energy Company (2003 – present); GP Natural Resource Partners, LLC (2002-present).

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Name, Business Address(1) and Age	Position Held with the Fund	Term of Office(2) and Length of Time Served	Principal Occupation During Past Five Years	Number of Portfolios in Fund Complex(3) Overseen by Trustee	Other Directorships Held by Trustee During the Past Five Years
Ronald A. Nyberg Year of Birth: 1953	Trustee	Since 2013	Current: Partner, Nyberg & Cassioppi, LLC (2000-present). Former: Executive Vice President, General Counsel, and Corporate Secretary, Van Kampen Investments (1982-1999).	88	Current: Edward-Elmhurst Healthcare System (2012-present).
Maynard F. Oliverius Year of Birth: 1943	Trustee	Since 2014	Current: Retired Former: President and CEO, Stormont-Vail HealthCare (1996-2012).	82	None
Ronald E. Toupin, Jr. Year of Birth: 1958	Trustee	Since 2013	Current: Portfolio Consultant (2010-present). Former: Vice President, Manager and Portfolio Manager, Nuveen Asset Management (1998-1999); Vice President, Nuveen Investment Advisory Corp.	85	Former: Bennett Group of Funds (2011-2013).

			(1992-1999); Vice President and Manager, Nuveen Unit Investment Trusts (1991-1999); and Assistant Vice President and Portfolio Manager, Nuveen Unit Investment Trusts (1988-1999), each of John Nuveen & Co., Inc. (1982-1999).		
INTERESTED TRUSTEE:					
Donald C. Cacciapaglia* Year of Birth: 1951	Trustee, Chief Executive Officer	Since 2012	Current: President and CEO, certain other funds in the Fund Complex (2012-present); Vice Chairman, Guggenheim Investments (2010-present). Former: Chairman and CEO, Channel Capital Group, Inc. (2002-2010).	214	Current: Delaware Life (2013-present); Guggenheim Life and Annuity Company (2011-present); Paragon Life Insurance Company of Indiana (2011-present).

* Mr. Cacciapaglia is an interested person of the Fund because of his position as an officer of the Investment Adviser and certain of its affiliates.

(1) The business address of each Trustee of the Fund is 227 West Monroe Street, Chicago, IL 60606, unless otherwise noted.

(2) After a Trustee's initial term, each Trustee is expected to serve a three year term concurrent with the class of Trustees for which he serves.

• Messrs. Barnes, Cacciapaglia and Chubb, as Class I Trustees, are expected to stand for re-election at the Fund's annual meeting of shareholders for the fiscal year ending May 31, 2017.

• Messrs. Farley, Friedrich and Nyberg, as Class II Trustees, are expected to stand for re-election at the Fund's annual meeting of shareholders for the fiscal year ending May 31, 2015.

- Messrs. Karn, Oliverius and Toupin, as Class III Trustees, are expected to stand for re-election at the Fund's annual meeting of shareholders for the fiscal year ending May 31, 2016.

(3) As of the date of this SAI, the "Fund Complex" consists of 13 closed-end funds, including the Fund, and 38 exchange-traded funds. The funds in the Fund Complex are overseen by multiple boards of trustees.

Trustee Qualifications

The Trustees were selected to serve on the Board based upon their skills, experience, judgment, analytical ability, diligence, ability to work effectively with other Trustees, availability and commitment to attend meetings and perform the responsibilities of a Trustee and a willingness to take an independent and questioning view of management.

The following is a summary of the experience, qualifications, attributes and skills of each Trustee that support the conclusion, as of the date of this SAI, that each Trustee should serve as a Trustee in light of the Fund's business and structure. References to the qualifications, attributes and skills of Trustees do not constitute the holding out of any Trustee as being an expert under Section 7 of the 1933 Act or the rules and regulations of the SEC.

Randall C. Barnes. Mr. Barnes has served as a trustee of funds in the Fund Complex since 2004. Through his service as a Trustee of the Fund and as chairperson of the Audit Committee, employment experience as President of Pizza Hut International and as Treasurer of PepsiCo, Inc., and his personal investment experience, Mr. Barnes is experienced in financial, accounting, regulatory and investment matters.

Donald C. Cacciapaglia. Mr. Cacciapaglia has served as a trustee of funds in the Fund Complex since 2012. Mr. Cacciapaglia has over 25 years of experience in the financial industry and has experience in financial, regulatory, distribution and investment matters.

Donald A. Chubb. Mr. Chubb has served as a director of Guggenheim Funds Trust, SBL Fund and Security Equity Fund (collectively, the "Security Funds") since 1994 and as Chairperson of the Security Funds since 2012. Mr. Chubb also served as Lead Independent Director of the Security Funds from 2010 to 2012. Mr. Chubb has worked in the business brokerage and commercial real estate market for over 14 years. Previously, Mr. Chubb owned and operated electric sign companies and was a director of Fidelity Bank and Trust. Mr. Chubb has experience with investment company fund matters.

Jerry B. Farley. Dr. Farley has served as a director of the Security Funds since 2005 and as Chairperson of the Audit Committee of the Security Funds since 2013. Dr. Farley has over 39 years of experience in the administration of the academic, business and fiscal operations of educational institutions. Dr. Farley has served as President of Washburn University since 1997. Prior to 1997, Dr. Farley worked in various executive positions for the University of Oklahoma and Oklahoma State University, including Vice President of Community Relations and Economic Development, Vice President of Administration and Chief Financial Officer. Dr. Farley holds an MBA and a Ph.D. in Higher Education Administration and is a C.P.A. Dr. Farley serves on the board of Westar Energy, Inc., a NYSE listed company, and CoreFirst Bank and Trust. Dr. Farley has experience with investment company matters.

Roman Friedrich III. Mr. Friedrich has served as a trustee of funds in the Fund Complex since 2003. Through his service as a Trustee of the Fund and as chairperson of the Contracts Review Committee, his service on other public company boards, his experience as founder and chairman of Roman Friedrich & Company, a financial advisory firm and his prior experience as a senior executive of various financial securities firms, Mr. Friedrich is experienced in financial, investment and regulatory matters.

Robert B. Karn III. Mr. Karn has served as a trustee of funds in the Fund Complex since 2004. Through his service as a Trustee of the Fund and as chairperson of the Audit Committee, his service on other public and private company boards, his experience as an accountant and consultant, and his prior experience, including Managing Partner of the Financial and Economic Consulting Practice of the St. Louis office at Arthur Andersen, LLP, Mr. Karn is experienced in accounting, financial, investment and regulatory matters. The Board has determined that Mr. Karn is an "audit committee financial expert" as defined by the SEC.

Ronald A. Nyberg. Mr. Nyberg has served as a trustee of funds in the Fund Complex since 2003. Through his service as a Trustee of the Fund and as chairperson of the Nominating & Governance Committee, his professional training and experience as an attorney and partner of a law firm, Nyberg & Cassioppi. LLC, and his prior employment experience, including Executive Vice President and General Counsel of Van Kampen Investments, an asset management firm, Mr. Nyberg is experienced in financial, regulatory and governance matters.

Maynard F. Oliverius. Mr. Oliverius has served as a director of the Security Funds since 1998. Mr. Oliverius served as President and Chief Executive Officer of Stormont-Vail HealthCare until his retirement in 2012. From 2005 through 2008 Mr. Oliverius was on the Board of Trustees of the American Hospital Association. Mr. Oliverius has a master's degree in Health Care Administration. Mr. Oliverius has experience with investment company matters.

Ronald E. Toupin, Jr. Mr. Toupin has served as a trustee of funds in the Fund Complex since 2003. Through his service as a Trustee of the Fund and as chairperson of the Board, and his professional training and employment experience, including Vice President and Portfolio Manager for Nuveen Asset Management, an asset management firm, Mr. Toupin is experienced in financial, regulatory and investment matters.

Each Trustee also has considerable familiarity with the Fund Complex and the Fund's service providers and their operations, as well as the special regulatory requirements governing registered investment companies and the special responsibilities of investment company trustees as a result of his substantial prior service as a Trustee of the funds in the Fund Complex.

Executive Officers

The following information relates to the executive officers of the Fund who are not Trustees.

Name, Business Address(1) and Age	Position	Term of Office(2) and Length of Time Served	Principal Occupation During the Past Five Years
John Sullivan Year of Birth: 1955	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since 2013	Current: CFO, Chief Accounting Officer and Treasurer, certain other funds in the Fund Complex (2010-present); Senior Managing Director, Guggenheim Investments (2010-present). Former: Managing Director and CCO, each of the funds in the Van Kampen Investments fund complex (2004-2010); Managing Director and Head of Fund Accounting and Administration, Morgan Stanley Investment Management (2002-2004); CFO and Treasurer, Van Kampen Funds (1996-2004).

Amy J. Lee Year of Birth: 1969	Chief Legal Officer	Since 2013	Current: Chief Legal Officer, certain other funds in the Fund Complex (2012-present); Senior Managing Director, Guggenheim Investments (2012-present). Former: Vice President, Associate General Counsel and Assistant Secretary, Security Benefit Life Insurance Company and Security Benefit Corporation (2004-2012).

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Name, Business Address(1) and Age	Position	Term of Office(2) and Length of Time Served	Principal Occupation During the Past Five Years
Joanna M. Catalucci Year of Birth: 1966	Chief Compliance Officer	Since 2013	Current: Chief Compliance Officer, certain funds in the Fund Complex (2012-present); Managing Director, Guggenheim Investments (2012-present). Former: Chief Compliance Officer and Secretary, certain other funds in the Fund Complex (2008-2012); Senior Vice President & Chief Compliance Officer, Security Investors, LLC and certain affiliates (2010-2012); Chief Compliance Officer and Senior Vice President, Rydex Advisors, LLC and certain affiliates (2010-2011).
Mark E. Mathiasen Year of Birth: 1978	Secretary	Since 2013	Current: Secretary, certain other funds in the Fund Complex (2007-present); Managing Director, Guggenheim Investments (2007-present).
William H. Belden, III Year of Birth: 1965	Vice President	Since 2014	Current: Vice President, certain other funds in the Fund Complex (2006-present); Managing Director, Guggenheim Funds Investment Advisors, LLC (2005- present).

			Former: Vice President of Management, Northern Trust Global Investments (1999-2005).
Joseph M. Arruda Year of Birth: 1966	Assistant Treasurer	Since 2014	Current: Assistant Treasurer, certain other funds in the Fund Complex (2006-present); Vice President, Security Investors, LLC (2010-present); CFO and Manager, Guggenheim Specialized Products, LLC (2009-present). Former: Vice President, Security Global Investors, LLC (2010-2011); Vice President, Rydex Advisors, LLC (2010); Vice President, Rydex Advisors II, LLC (2010).
Mark J. Furjanic Year of Birth: 1959	Assistant Treasurer	Since 2013	Current: Vice President, Guggenheim Investments (2005-present); Assistant Treasurer, certain other funds in the Fund Complex (2008-present). Former: Senior Manager, Ernst & Young LLP (1999-2005).

Name, Business Address(1) and Age	Position	Term of Office(2) and Length of Time Served	Principal Occupation During the Past Five Years
James Howley Year of Birth: 1972	Assistant Treasurer	Since 2013	Current: Director, Guggenheim Investments (2004-present); Assistant Treasurer, certain other funds in the Fund Complex (2006-present). Former: Manager, Mutual Fund Administration of Van Kampen Investments, Inc. (1996-2004).
Derek Maltbie Year of Birth: 1972	Assistant Treasurer	Since 2013	Current: Vice President, Guggenheim Investments (2012-present); Assistant Treasurer, certain other funds in the Fund Complex (2011-present). Former: Assistant Vice President, Guggenheim Funds Investment Advisors, LLC (2005-2011); Supervisor, Mutual Fund Administration, Van Kampen Investments, Inc. (1995-2005).
Michael P. Megaris Year of Birth: 1984	Assistant Treasurer	Since 2014	Current: Assistant Secretary, certain other funds in the Fund Complex (April 2014-present); Associate, Guggenheim Investments (2012-present). Former: J.D., University of Kansas School

of Law (2009-2012).

(1) The business address of each officer of the Fund is 227 West Monroe Street, Chicago, IL 60606, unless otherwise noted.

(2) Officers serve at the pleasure of the Board and until his or her successor is appointed and qualified or until his or her resignation or removal.

Board Leadership Structure

The primary responsibility of the Board of Trustees is to represent the interests of the Fund and to provide oversight of the management of the Fund. The Fund's day-to-day operations are managed by the Adviser and other service providers who have been approved by the Board. The Board is currently comprised of six Trustees, five of whom (including the chairperson) are classified under the 1940 Act as "non-interested" persons of the Fund ("Independent Trustees"). Generally, the Board acts by majority vote of all the Trustees, which includes a majority vote of the Independent Trustees.

The Board has appointed an independent chairperson, Ronald E. Toupin, Jr., who presides at Board meetings and who is responsible for, among other things, setting the tone of Board meetings and seeking to encourage open dialogue and independent inquiry among the trustees and management. The Board has established three standing committees (as described below) and has delegated certain responsibilities to those committees, each of which is comprised solely of Independent Trustees. The Board has also established an Executive Committee (as described below). The Board and its committees will meet periodically throughout the year to oversee the Fund's activities, review contractual arrangements with service providers, review the Fund's financial statements, oversee compliance with regulatory requirements, and review performance. The Independent Trustees are represented by independent legal counsel at Board and committee meetings. The Board has determined that this leadership structure, including an independent chairperson, a supermajority of Independent Trustees and committee membership limited to Independent Trustees, is appropriate in light of the characteristics and circumstances of the Fund.

Board Committees

Executive Committee. Messrs. Nyberg and Toupin, who are not “interested persons” of the Fund, as defined in the 1940 Act, serve on the Fund’s Executive Committee. The Executive Committee is authorized to act on behalf of and with the full authority of the Board of Trustees when necessary in the intervals between meetings of the Board of Trustees.

Nominating and Governance Committee. Messrs. Barnes, Chubb, Farley Friedrich, Karn, Nyberg, Oliverius and Toupin, who are not “interested persons” of the Fund, as defined in the 1940 Act, serve on the Fund’s Nominating and Governance Committee. Mr. Nyberg serves as chairperson of the Nominating and Governance Committee. The Nominating and Governance Committee is responsible for recommending qualified candidates to the Board of Trustees in the event that a position is vacated or created. In considering trustee nominee candidates, the Nominating and Governance Committee takes into account a wide variety of factors, including the overall diversity of the Board’s composition. The Nominating and Governance Committee believes the Board generally benefits from diversity of background, experience and views among its members, and considers this a factor in evaluating the composition of the Board, but has not adopted any specific policy in this regard. The Nominating and Governance Committee would consider recommendations by shareholders if a vacancy were to exist. Such recommendations should be forwarded to the Secretary of the Fund. The Fund does not have a standing compensation committee.

Audit Committee. Messrs. Barnes, Chubb, Farley Friedrich, Karn, Nyberg, Oliverius and Toupin, who are not “interested persons” of the Fund, as defined in the 1940 Act, serve on the Fund’s Audit Committee. Mr. Karn serves as chairperson of the Audit Committee. The Audit Committee is generally responsible for reviewing and evaluating issues related to the accounting and financial reporting policies and internal controls of the Fund and, as appropriate, the internal controls of certain service providers, overseeing the quality and objectivity of the Fund’s financial statements and the audit thereof and acting as a liaison between the Board of Trustees and the Fund’s independent registered public accounting firm.

Contracts Review Committee. Messrs. Barnes, Chubb, Farley Friedrich, Karn, Nyberg, Oliverius and Toupin, who are not “interested persons” of the Fund, as defined in the 1940 Act, serve on the Fund’s Contracts Review Committee. Mr. Friedrich serves as chairperson of the Contracts Review Committee. The Contracts Review Committee oversees the contract review process, including review of the Fund’s advisory agreements and other contracts with affiliated service providers.

Board and Committee Meetings. During the Fund’s fiscal year ended May 31, 2014, the Board held 5 meetings, the Fund’s Audit Committee held 2 meetings, the Fund’s Nominating and Governance Committee held 2 meetings and the Fund’s Contracts Review Committee held 1 meeting.

Board’s Role in Risk Oversight

Consistent with its responsibility for oversight of the Fund, the Board, among other things, oversees risk management of the Fund’s investment program and business affairs directly and through the committee structure it has established. The Board has established the Audit Committee, the Nominating and Governance Committee and the Contracts Review Committee to assist in its oversight functions, including its oversight of the risks the Fund faces. Each committee will report its activities to the Board on a regular basis. Risks to the Fund include, among others, investment risk, credit risk, liquidity risk, valuation risk and operational risk, as well as the overall business risk relating to the Fund. The Board has adopted, and will periodically review, policies, procedures and controls designed to address these different types of risks. Under the Board’s supervision, the officers of the Fund, the Adviser and other service providers to the Fund also have implemented a variety of processes, procedures and controls to address

various risks. In addition, as part of the Board's periodic review of the Fund's advisory agreement, sub-advisory agreements and other service provider agreements, the Board may consider risk management aspects of the service providers' operations and the functions for which they are responsible.

The Board will require officers of the Fund to report to the full Board on a variety of matters at regular and special meetings of the Board and its committees, as applicable, including matters relating to risk management. The Audit Committee will also receive reports from the Fund's independent registered public accounting firm on internal control and financial reporting matters. On at least a quarterly basis, the Board will meet with the Fund's Chief Compliance Officer, including separate meetings with the Independent Trustees in executive session, to discuss compliance matters and, on at least an annual basis, will receive a report from the Chief Compliance Officer regarding the effectiveness of the Fund's compliance program. The Board, with the assistance of Fund management, will review investment policies and risks in connection with its review of the Fund's performance. In addition, the Board will receive reports from the Adviser on the investments and securities trading of the Fund. With respect to valuation, the Board oversees a pricing committee comprised of Fund officers and Adviser personnel and has approved Fair Valuation procedures applicable to valuing the Fund's securities, which the Board and the Audit Committee will periodically review. The Board will also require the Adviser to report to the Board on other matters relating to risk management on a regular and as-needed basis.

Remuneration of Trustees and Officers

Each Trustee who is not an "affiliated person" (as defined in the 1940 Act) of the Adviser or its affiliates receives as compensation for his services to the Fund an annual retainer and meeting fees. The chairperson of the Board, if any, and the chairperson of each committee of the Board also receive fees for their services. The annual retainer and fees for service as chairperson of Board and committees of the Board are allocated among the Fund and certain other funds in the Fund Complex. Officers who are employed by the Adviser receive no compensation or expense reimbursement from the Fund.

Name(1)	Aggregate Estimated Compensation from the Fund(2)	Pension or Retirement Benefits Accrued as Part of Fund Expenses(3)	Estimated Annual Benefits Upon Retirement(3)	Total Compensation from the Fund and Fund Complex Paid to Trustee(4)
Independent Trustees:				
Randall C. Barnes	$18,642.84	None	None	$246,499.97
Donald A. Chubb	$ 8,500.00	None	None	None
Jerry B. Farley	$ 8,500.00	None	None	None
Roman Friedrich III	$19,178.55	None	None	$159,499.95
Robert B. Karn III	$19,178.55	None	None	$156,499.95
Ronald A. Nyberg	$19,178.55	None	None	$318,749.95
Maynard F. Oliverius	$ 8,500.00	None	None	None
Ronald E. Toupin, Jr.	$21,142.83	None	None	$253,999.95

(1) Trustees not entitled to compensation are not included in the table.

(2) For the fiscal period from June 26, 2013 (commencement of operations) to May 31, 2014.

(3) The Fund does not accrue or pay retirement or pension benefits to Trustees as of the date of this SAI.

(4) Reflects total compensation for the calendar year ended December 31, 2013.

In April 2014, in connection with the consolidation of the membership of the Board of Trustees of the Fund and other funds in the Fund Complex, the Board implemented a new compensation structure for the funds overseen by the

consolidated board. Total compensation is as follows: A general retainer fee of $232,000 per year paid to each Independent board member. Additional annual retainer fees paid as follows: $40,000 to the Independent Chairperson of the Board; $6,000 to the Independent Vice Chairperson of the Board; $6,000 to the Audit Committee Chairperson; $6,000 to the Audit Committee Vice Chairperson; $6,000 to the Contracts Review Committee Chairperson; $6,000 to the Contracts Review Committee Vice Chairperson; and $6,000 to the Nominating Committee Chairperson. In addition, fees would be paid for special Board or Committee meetings, with $5,000 paid for a special in-person Board meeting, $5,000 paid for a special in-person Committee meeting and $1,000 paid for a special telephonic Board or Committee meeting. A portion of such fees, as determined by the Board, would be allocated to the Fund.

Trustee Share Ownership

As of December 31, 2013, the most recently completed calendar year prior to the date of this Statement of Additional Information, each Trustee of the Fund beneficially owned equity securities of the Fund and all of the registered investment companies in the family of investment companies overseen by the Trustee in the dollar range amounts specified below.

Name	Dollar Range of Equity Securities in the Fund	Aggregate Dollar Range of Equity Securities in All Registered Investment Companies Overseen by Trustee in Family of Investment Companies
Independent Trustees:		
Randall C. Barnes	Over $100,000	Over $100,000
Donald A. Chubb	$0	Over $100,000
Jerry B. Farley	$0	Over $100,000
Roman Friedrich III	$1-$10,000	Over $100,000
Robert B. Karn III	$0	$10,001-$50,000
Ronald A. Nyberg	$10,001-$50,000	Over $100,000
Maynard F. Oliverius	$0	Over $100,000
Ronald E. Toupin, Jr.	$1-$10,000	$10,001-$50,000
Interested Trustee:		
Donald C. Cacciapaglia	$0	$0

Indemnification of Officers and Trustees; Limitations on Liability

The governing documents of the Fund provide that the Fund will indemnify its Trustees and officers and may indemnify its employees or agents against liabilities and expenses incurred in connection with litigation in which they may be involved because of their positions with the Fund, to the fullest extent permitted by law. However, nothing in the governing documents of the Fund protects or indemnifies a trustee, officer, employee or agent of the Fund against any liability to which such person would otherwise be subject in the event of such person’s willful misfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his or her position.

The Fund has entered into an Indemnification Agreement with each Independent Trustee, which provides that the Fund shall indemnify and hold harmless such Trustee against any and all expenses actually and reasonably incurred by the Trustee in any proceeding arising out of or in connection with the Trustee’s service to the Fund, to the fullest extent permitted by the Declaration of Trust and By-Laws and the laws of the State of Delaware, the Securities Act, and the 1940 Act unless it has been finally adjudicated that (i) the Trustee is subject to such expenses by reason of the Trustee’s not having acted in good faith in the reasonable belief that his or her action was in the best interests of the Fund or (ii) the Trustee is liable to the Fund or its shareholders by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his or her office, as defined in Section 17(h) of the 1940 Act, as amended.

Portfolio Management

The personnel with the most significant responsibility for the day-to-day management of the Fund's portfolio are B. Scott Minerd, Anne Bookwalter Walsh, Jeffrey Abrams, Kevin Gundersen and James Michal.

Other Accounts Managed by the Portfolio Managers. The following table sets forth information about funds and accounts other than the Fund for which the portfolio managers are primarily responsible for the day-to-day portfolio management as of May 31, 2014.

	Number of Other Accounts Managed and Assets by Account Type			Number of Other Accounts Assets for Which Advisory Fee is Performance-Based		
Name of Portfolio Manager	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
B. Scott Minerd	30	69	130	0	26	10
	$8.3 billion	$18.4 billion	$105.6 billion	$0	$11.3 billion	$984 million
Anne Bookwalter Walsh	22	2	25	0	2	1
	$6.9 billion	$3.2 billion	$84.2 billion	$0	$3.2 billion	$516 million
Jeffrey Abrams	9	33	50	0	11	6
	$3.6 billion	$10.0 billion	$5.4 billion	$0	$5.4 billion	$133 million
Kevin Gundersen.	11	33	47	0	11	6
	$5.1 billion	$10.0 billion	$5.4 billion	$0	$5.4 billion	$133 million
James Michal.	26	3	11	0	2	3
	$6.6 billion	$3.3 billion	$1.6 billion	$0	$3.2 billion	$742 million

Potential Conflicts of Interest. Actual or apparent conflicts of interest may arise when a portfolio manager has day-to-day management responsibilities with respect to more than one fund or other account. More specifically, portfolio managers who manage multiple funds and/or other accounts may be presented with one or more of the following potential conflicts.

The management of multiple funds and/or other accounts may result in a portfolio manager devoting unequal time and attention to the management of each fund and/or other account. The Adviser seeks to manage such competing interests for the time and attention of a portfolio manager by having the portfolio manager focus on a particular investment discipline. Most other accounts managed by a portfolio manager are managed using the same investment models that are used in connection with the management of the Fund.

If a portfolio manager identifies a limited investment opportunity which may be suitable for more than one fund or other account, a fund may not be able to take full advantage of the opportunity due to an allocation of filled purchase or sale orders across all eligible funds and other accounts. To deal with these situations, the Adviser has adopted procedures for allocating portfolio transactions across multiple accounts. In such situations the Adviser will, consistent with its fiduciary obligations under the Advisers Act, endeavor to achieve a fair and equitable allocation of limited investment opportunities among all funds and accounts by employing methods such as a rotation strategy, under which limited investment opportunities are allocated to funds on an alternating basis.

The Adviser determines which broker to use to execute each order, consistent with their duty to seek best execution of the transaction. However, with respect to certain other accounts (such as mutual funds for which the Adviser acts as adviser, other pooled investment vehicles that are not registered mutual funds, and other accounts managed for organizations and individuals), the Adviser may be limited by the client with respect to the selection of brokers or may be instructed to direct trades through a particular broker. In these cases, trades for a fund in a particular security may be placed separately from, rather than aggregated with, such other accounts. Having separate transactions with respect to a security may temporarily affect the market price of the security for the execution of the transaction, or both, to the possible detriment of the Fund or other account(s) involved.

The Adviser has adopted certain compliance procedures which are designed to address these types of conflicts. However, there is no guarantee that such procedures will detect each and every situation in which a conflict arises.

Portfolio Manager Compensation. The compensation of the portfolio managers consists of the following elements:

Base Salary: The portfolio managers are paid a fixed base salary by the Sub-Adviser which is set at a level determined to be appropriate based upon the individual's experience and responsibilities.

Annual Bonus: The portfolio managers are paid a discretionary annual bonus by the Sub-Adviser, which is based on the overall performance and profitability of the Sub-Adviser and not on performance of the Fund or accounts managed by the portfolio managers. The portfolio managers also participate in benefit plans and programs generally available to all employees of the Sub-Adviser.

Securities Ownership of the Portfolio Managers. As of May 31, 2014, the dollar range of equity securities of the Fund beneficially owned by the portfolio manager is shown below:

B. Scott Minerd: None

Anne Bookwalter Walsh: None

Jeffrey Abrams: None

Kevin Gundersen: None

James Michal: None

Adviser

Investment Adviser. Guggenheim Funds Investment Advisors, LLC (the "Investment Adviser") acts as the Fund's investment adviser. The Investment Adviser is a registered investment adviser and acts as investment adviser to a number of closed-end and open-end management investment companies. The Investment Adviser is a Delaware limited liability company, with its principal offices located at 227 West Monroe Street, Chicago, IL 60606. The Investment Adviser will be responsible for the management of the Fund, will furnish offices, necessary facilities and equipment on behalf of the Fund, will oversee the activities of the Fund's Sub-Adviser, will provide personnel, including certain officers required for the Fund's administrative management, and will pay the compensation of all officers and Trustees of the Fund who are its affiliates.

Sub-Adviser. Guggenheim Partners Investment Management, LLC (the "Sub-Adviser") acts as the Fund's investment sub-adviser. Guggenheim Partners Investment Management, LLC is a Delaware limited liability company, with its principal offices located at 100 Wilshire Boulevard, Santa Monica, California 90401. The Sub-Adviser, under the supervision of the Board of Trustees and the Investment Adviser, will be responsible for the management of the Fund's investment portfolio and will provide certain facilities and personnel related to such management.

Guggenheim Partners. Each of the Investment Adviser and the Sub-Adviser is an indirect subsidiary of Guggenheim Partners, a diversified financial services firm with wealth management, capital markets, investment management and proprietary investing businesses, whose clients are a mix of individuals, family offices, endowments, foundations, insurance companies and other institutions that have entrusted Guggenheim Partners with the supervision of more than $186 billion of assets as of June 30, 2014. Guggenheim Partners is headquartered in Chicago and New York with a global network of offices throughout the United States, Europe and Asia.

Advisory Agreement

Pursuant to an investment advisory agreement between the Fund and the Investment Adviser (the "Advisory Agreement"), the Fund will pay the Investment Adviser a fee, payable monthly, in an annual amount equal to 1.00% of the Fund's average daily Managed Assets (from which the Investment Adviser will pay the Sub-Adviser's fees). "Managed Assets" means the total assets of the Fund, including the assets attributable to the proceeds from financial leverage, including the issuance of senior securities representing Indebtedness (including through borrowing from

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financial institutions or issuance of debt securities, including notes or commercial paper), the issuance of preferred shares, the effective leverage of certain portfolio transactions such as reverse repurchase agreements and/or dollar rolls, or any other form of financial leverage, minus liabilities, other than liabilities related to any financial leverage. Managed Assets includes assets attributable to financial leverage of any form.

Under the terms of the Advisory Agreement, the Investment Adviser is responsible for the management of the Fund; furnishes offices, necessary facilities and equipment on behalf of the Fund; oversees the activities of the Fund's Sub-Adviser; provides personnel, including certain officers required for the Fund's administrative management; and pays the compensation of all officers and Trustees of the Fund who are its affiliates.

Pursuant to its terms, the Advisory Agreement will remain in effect until June 25, 2015, and from year to year thereafter if approved annually (i) by the Board of Trustees or by the holders of a majority of the Fund's outstanding voting securities and (ii) by a majority of the Trustees who are not "interested persons" (as defined in the 1940 Act) of any party to the Advisory Agreement, by vote cast in person at a meeting called for the purpose of voting on such approval. The Advisory Agreement terminates automatically on its assignment and may be terminated without penalty on 60 days written notice at the option of either party thereto or by a vote of a majority of the Fund's outstanding shares, which is defined by the 1940 Act as the lesser of (i) 67% or more of the Fund's voting securities present at a meeting, if the holders of more than 50% of the Fund's outstanding voting securities are present or represented by proxy; or (ii) more than 50% of the Fund's outstanding voting securities.

The Advisory Agreement provides that, in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard for its obligations and duties thereunder, the Investment Adviser is not liable for any error or judgment or mistake of law or for any loss suffered by the Fund. Pursuant to a Trademark Sublicense Agreement, Guggenheim Partners has granted to the Investment Adviser the right to use the name "Guggenheim" in the name of the Fund, and the Investment Adviser has agreed that the name "Guggenheim" is Guggenheim Partners' property.

Advisory Fee

	Fiscal Year Ended May 31, 2014*
The Investment Adviser received advisory fees of:	$1,826,481

* For the fiscal period from June 26, 2013 (commencement of operations) to May 31, 2014.

Sub-Advisory Agreement

Pursuant to an investment sub-advisory agreement among the Fund, the Investment Adviser and the Sub-Adviser (the "Sub-Advisory Agreement"), the Investment Adviser will pay the Sub-Adviser a fee, payable monthly, in an annual amount equal to 0.50% of the Fund's average daily Managed Assets.

Under the terms of the Sub-Advisory Agreement, the Sub-Adviser manages the investment portfolio of the Fund in accordance with its stated investment objective and policies, makes investment decisions for the Fund, places orders to purchase and sell securities on behalf of the Fund, all subject to the supervision and direction of the Board of Trustees and the Investment Adviser.

The Sub-Advisory Agreement continues until June 25, 2015 and from year to year thereafter if approved annually (i) by the Board of Trustees or by the holders of a majority of the Fund's outstanding voting securities and (ii) by a majority of the Trustees who are not "interested persons" (as defined in the 1940 Act) of any party to the Sub-Advisory

Agreement, by vote cast in person at a meeting called for the purpose of voting on such approval. The Sub-Advisory Agreement terminates automatically on its assignment and may be terminated without penalty on 60 days written notice at the option of either party thereto, by the Board of Trustees or by a vote of a majority of the Fund's outstanding shares, which is defined by the 1940 Act as the lesser of (i) 67% or more of the Fund's voting

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securities present at a meeting, if the holders of more than 50% of the Fund's outstanding voting securities are present or represented by proxy; or (ii) more than 50% of the Fund's outstanding voting securities.

The Sub-Advisory Agreement provides that, in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard for its obligations and duties thereunder, the Sub-Adviser is not liable for any error or judgment or mistake of law or for any loss suffered by the Fund.

Sub-Advisory Fees.

	Fiscal Year Ended May 31, 2014*
The Sub-Adviser received sub-advisory fees of:	$913,240

* For the fiscal period from June 26, 2013 (commencement of operations) to May 31, 2014.

Other Agreements

Administration Agreement. Rydex Fund Services, LLC, an affiliate of the Investment Adviser and the Sub-Adviser, serves as administrator to the Fund. Pursuant to an administration agreement, Rydex Fund Services, LLC is responsible for: (1) coordinating with the custodian and transfer agent and monitoring the services they provide to the Fund, (2) coordinating with and monitoring any other third parties furnishing services to the Fund, (3) supervising the maintenance by third parties of such books and records of the Fund as may be required by applicable federal or state law, (4) preparing or supervising the preparation by third parties of all federal, state and local tax returns and reports of the Fund required by applicable law, (5) preparing and, after approval by the Fund, filing and arranging for the distribution of proxy materials and periodic reports to shareholders of the Fund as required by applicable law, (6) preparing and, after approval by the Fund, arranging for the filing of such registration statements and other documents with the SEC and other federal and state regulatory authorities as may be required by applicable law, (7) reviewing and submitting to the officers of the Fund for their approval invoices or other requests for payment of the Fund's expenses and instructing the custodian to issue checks in payment thereof and (8) taking such other action with respect to the Fund as may be necessary in the opinion of the administrator to perform its duties under the Administration Agreement. For the services, the Fund pays Rydex Fund Services, LLC a fee, accrued daily and paid monthly, at the annual rate equal to 0.0275% of the first $200 million in average daily Managed Assets, 0.0200% of the next $300 million in average daily Managed Assets, 0.0150% of the next $500 million in average daily Managed Assets, and 0.0100% of average daily Managed Assets above $1 billion.

Administration Fees.

	Fiscal Year Ended May 31, 2014*
Rydex Fund Services received administration fees of:	$49,689

* For the fiscal period from June 26, 2013 (commencement of operations) to May 31, 2014.

Fund Accounting Agreement. Rydex Fund Services, LLC also serves as fund accounting agent to the Fund. Pursuant to a fund accounting agreement, Rydex Fund Services, LLC performs certain accounting services, including maintaining ledgers; computing per share net asset value, income, gains, yields; verifying and reconciling daily trade activity; accruing expenses and determining outstanding receivables and payables; providing accounting reports; and providing accounting services and data in connection with regulatory filings. For the services, the Fund pays Rydex

Fund Services, LLC a fee, accrued daily and paid monthly, at the annual rate equal to 0.0300% of the first $200 million in average daily Managed Assets, 0.0150% of the next $300 million in average daily Managed Assets, 0.0100% of the next $500 million in average daily Managed Assets, and 0.0075% of average daily Managed Assets above $1 billion, subject to a minimum fee of $50,000 per year.

Fund Accounting Fees.

	Fiscal Year Ended May 31, 2014*
Rydex Fund Services received fund accounting fees of:	$72,883

* For the fiscal period from June 26, 2013 (commencement of operations) to May 31, 2014. Includes out-of-pocket charges of $18,387

PORTFOLIO TRANSACTIONS

Subject to policies established by the Board of Trustees, the Adviser is responsible for placing purchase and sale orders and the allocation of brokerage on behalf of the Fund. Transactions in equity securities are in most cases effected on U.S. stock exchanges and involve the payment of negotiated brokerage commissions. In general, there may be no stated commission in the case of securities traded in over-the-counter markets, but the prices of those securities may include undisclosed commissions or mark-ups. Principal transactions are not entered into with affiliates of the Fund. The Fund has no obligations to deal with any broker or group of brokers in executing transactions in portfolio securities. In executing transactions, the Adviser seeks to obtain the best price and execution for the Fund, taking into account such factors as price, size of order, difficulty of execution and operational facilities of the firm involved and the firm's risk in positioning a block of securities. While the Adviser generally seeks reasonably competitive commission rates, the Fund does not necessarily pay the lowest commission available.

Subject to obtaining the best price and execution, brokers who provide supplemental research, market and statistical information to the Adviser or its affiliates may receive orders for transactions by the Fund. The term "research, market and statistical information" includes advice as to the value of securities, and advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities, and furnishing analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. Information so received will be in addition to and not in lieu of the services required to be performed by the Adviser, and the expenses of the Adviser will not necessarily be reduced as a result of the receipt of such supplemental information. Such information may be useful to the Adviser and its affiliates in providing services to clients other than the Fund, and not all such information is used by the Adviser in connection with the Fund. Conversely, such information provided to the Adviser and its affiliates by brokers and dealers through whom other clients of the Adviser and its affiliates effect securities transactions may be useful to the Adviser in providing services to the Fund.

Although investment decisions for the Fund are made independently from those of the other accounts managed by the Adviser and its affiliates, investments of the kind made by the Fund may also be made by those other accounts. When the same securities are purchased for or sold by the Fund and any of such other accounts, it is the policy of the Adviser and its affiliates to allocate such purchases and sales in the manner deemed fair and equitable to all of the accounts, including the Fund.

Commissions Paid. Unless otherwise disclosed below, the Fund paid no commissions to affiliated brokers during the last three fiscal years. The Fund paid approximately the following commissions to brokers during the fiscal years shown:

Fiscal Year Ended May 31,	All Brokers	Affiliated Brokers
2014*	$0	$0

Fiscal Year Ended May 31, 2014 Percentages:

Percentage of aggregate brokerage commissions paid to affiliated broker	0%	
Percentage of aggregate dollar amount of transactions involving the payment of commissions effected through affiliated broker		0%

* For the fiscal period from June 26, 2013 (commencement of operations) to May 31, 2014.

During the fiscal year ended May 31, 2014, the Fund paid $0 in brokerage commissions on transactions totaling $0 to brokers selected primarily on the basis of research services provided to the Adviser.

TAX MATTERS

The following discussion is a brief summary of certain U.S. federal income tax considerations affecting the Fund and the purchase, ownership and disposition of the Fund's Common Shares. Except as otherwise noted, this discussion assumes you are a taxable U.S. person (as defined for U.S. federal income tax purposes) and that you hold your Common Shares as capital assets for U.S. federal income tax purposes (generally, assets held for investment). This discussion is based upon current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the regulations promulgated thereunder and judicial and administrative authorities, all of which are subject to change or differing interpretations by the courts or the Internal Revenue Service (the "IRS"), possibly with retroactive effect. No attempt is made to present a detailed explanation of all U.S. federal, state, local and foreign tax concerns affecting the Fund and its Common Shareholders (including Common Shareholders subject to special treatment under U.S. federal income tax law).

The discussions set forth herein and in the Prospectus do not constitute tax advice and potential investors are urged to consult their own tax advisers to determine the specific U.S. federal, state, local and foreign tax consequences to them of investing in the Fund.

Taxation of the Fund

The Fund intends to elect to be treated and to qualify each year as a regulated investment company ("RIC") under Subchapter M of the Code. Accordingly, the Fund must, among other things, (i) derive in each taxable year at least 90% of its gross income from (a) dividends, interest (including tax-exempt interest), payments with respect to certain securities loans, and gains from the sale or other disposition of stock, securities or foreign currencies, or other income (including gain from options, futures and forward contracts) derived with respect to its business of investing in such stock, securities or foreign currencies and (b) net income derived from interests in "qualified publicly traded partnerships" (as defined in the Code); and (ii) diversify its holdings so that, at the end of each quarter of each taxable year (a) at least 50% of the market value of the Fund's total assets is represented by cash and cash items, U.S. Government securities, the securities of other RICs and other securities, with such other securities limited, in respect of any one issuer, to an amount not greater than 5% of the value of the Fund's total assets and not more than 10% of the outstanding voting securities of such issuer and (b) not more than 25% of the market value of the Fund's total assets is invested in the securities (other than U.S. Government securities and the securities of other RICs) of (I) any one issuer, (II) any two or more issuers that the Fund controls and that are determined to be engaged in the same business or similar or related trades or businesses or (III) any one or more "qualified publicly traded partnerships." Generally, a qualified publicly traded partnership includes a partnership the interests of which are traded on an established securities market or readily tradable on a secondary market (or the substantial equivalent thereof) and that derives less than 90% of its gross income from the items described in (i)(a) above.

As long as the Fund qualifies as a RIC, the Fund generally will not be subject to U.S. federal income tax on income and gains that the Fund distributes to its Common Shareholders, provided that it distributes each taxable year at least 90% of the sum of (i) the Fund's investment company taxable income (which includes, among other items, dividends, interest, the excess of any net short-term capital gain over net long-term capital loss, and other taxable income, other than any net capital gain (defined below), reduced by deductible expenses) determined without regard to the deduction for dividends and distributions paid and (ii) the Fund's net tax-exempt interest (the excess of its gross tax-exempt interest over certain disallowed deductions). The Fund intends to distribute substantially all of such income each year. The Fund will be subject to income tax at regular corporate rates on any taxable income or gains that it does not

distribute to its Common Shareholders.

The Code imposes a 4% nondeductible excise tax on the Fund to the extent the Fund does not distribute by the end of any calendar year at least the sum of (i) 98% of its ordinary income (not taking into account any capital gain or loss) for the calendar year and (ii) 98.2% of its capital gain in excess of its capital loss (adjusted for certain ordinary losses) for a one-year period generally ending on October 31 of the calendar year. In addition, the minimum amounts that must be distributed in any year to avoid the excise tax will be increased or decreased to reflect any under-distribution or over-distribution, as the case may be, from the previous year. For purposes of the

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excise tax, the Fund will be deemed to have distributed any income on which it paid federal income tax in the taxable year ending within the calendar year. While the Fund intends to distribute income and capital gain in order to minimize imposition of the 4% nondeductible excise tax, there can be no assurance that amounts of the Fund's taxable income and capital gain will be distributed to avoid entirely the imposition of the excise tax. In that event, the Fund will be liable for the excise tax only on the amount by which it does not meet the foregoing distribution requirement.

If for any taxable year the Fund does not qualify as a RIC, all of its taxable income (including its net capital gain, which consists of the excess of its net long-term capital gain over its net short-term capital loss) will be subject to tax at regular corporate rates without any deduction for distributions to Common Shareholders, and such distributions will be taxable to the Common Shareholders as ordinary dividends to the extent of the Fund's current or accumulated earnings and profits. As described below, such dividends, however, would be eligible (i) to be treated as "qualified dividend income" in the case of Common Shareholders taxed as individuals and (ii) for the dividends received deduction in the case of corporate Common Shareholders, subject, in each case, to certain holding period and other requirements. To qualify again to be taxed as a RIC in a subsequent year, the Fund would generally be required to distribute to its Common Shareholders its earnings and profits attributable to non-RIC years. If the Fund fails to qualify as a RIC for a period greater than two taxable years, the Fund may be required to recognize and pay tax on any net built-in gains with respect to certain of its assets (i.e., the excess of the aggregate gains, including items of income, over aggregate losses that would have been realized with respect to such assets if the Fund had been liquidated) or, alternatively, to elect to be subject to taxation on such built-in gain recognized for a period of ten years, in order to qualify as a RIC in a subsequent year.

The Fund's Investments

Certain of the Fund's investment practices are subject to special and complex U.S. federal income tax provisions (including mark-to-market, constructive sale, straddle, wash sale, short sale and other rules) that may, among other things, (i) disallow, suspend or otherwise limit the allowance of certain losses or deductions, including the dividends received deduction, (ii) convert lower taxed long-term capital gains or "qualified dividend income" into higher taxed short-term capital gains or ordinary income, (iii) convert ordinary loss or a deduction into capital loss (the deductibility of which is more limited), (iv) cause the Fund to recognize income or gain without a corresponding receipt of cash, (v) adversely affect the time as to when a purchase or sale of stock or securities is deemed to occur, (vi) adversely alter the characterization of certain complex financial transactions and (vii) produce income that will not be "qualified" income for purposes of the 90% annual gross income requirement described above. These U.S. federal income tax provisions could therefore affect the amount, timing and character of distributions to Common Shareholders. The Fund intends to monitor its transactions and may make certain tax elections and may be required to dispose of securities to mitigate the effect of these provisions and prevent disqualification of the Fund as a RIC. Additionally, the Fund may be required to limit its activities in derivative instruments in order to enable it to maintain its RIC status.

Certain types of income received by the Fund from REITs, real estate mortgage investment conduits ("REMICs"), taxable mortgage pools or other investments may cause the Fund to designate some or all of its distributions as "excess inclusion income." To Fund Common Shareholders such excess inclusion income will (i) constitute taxable income, as "unrelated business taxable income" ("UBTI") for those Common Shareholders who would otherwise be tax-exempt such as individual retirement accounts, 401(k) accounts, Keogh plans, pension plans and certain charitable entities, (ii) not be offset against net operating losses for tax purposes, (iii) not be eligible for reduced U.S. withholding for non-U.S. Common Shareholders even from tax treaty countries and (iv) cause the Fund to be subject to tax if certain "disqualified organizations," as defined by the Code (which includes charitable remainder trusts), are Fund Common Shareholders.

The Fund may invest a portion of its net assets in below investment grade securities, commonly known as “junk” securities. Investments in these types of securities may present special tax issues for the Fund. U.S. federal income tax rules are not entirely clear about issues such as when the Fund may cease to accrue interest, original issue discount or market discount, when and to what extent deductions may be taken for bad debts or worthless securities, how payments received on obligations in default should be allocated between principal and income and whether exchanges of debt obligations in a bankruptcy or workout context are taxable. These and other issues will be addressed

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by the Fund, to the extent necessary, in order to seek to ensure that it distributes sufficient income to preserve its status as a regulated investment company and does not become subject to U.S. federal income or excise tax.

Certain debt securities acquired by the Fund may be treated as debt securities that were originally issued at a discount. Generally, the amount of the original issue discount is treated as interest income and is included in taxable income (and required to be distributed by the Fund in order to qualify as a regulated investment company or avoid the 4% excise tax) over the term of the security, even though payment of that amount is not received until a later time, usually when the debt security matures. If the Fund purchases a debt security on a secondary market at a price lower than its adjusted issue price, the excess of the adjusted issue price over the purchase price is "market discount." Unless the Fund makes an election to accrue market discount on a current basis, generally, any gain realized on the disposition of, and any partial payment of principal on, a debt security having market discount is treated as ordinary income to the extent the gain, or principal payment, does not exceed the "accrued market discount" on the debt security. Market discount generally accrues in equal daily installments.

The Fund may invest in preferred securities or other securities the U.S. federal income tax treatment of which may not be clear or may be subject to recharacterization by the IRS. To the extent the tax treatment of such securities or the income from such securities differs from the tax treatment expected by the Fund, it could affect the timing or character of income recognized by the Fund, requiring the Fund to purchase or sell securities, or otherwise change its portfolio, in order to comply with the tax rules applicable to regulated investment companies under the Code.

Gain or loss on the sales of securities by the Fund will generally be long-term capital gain or loss if the securities have been held by the Fund for more than one year. Gain or loss on the sale of securities held for one year or less will be short-term capital gain or loss.

Because the Fund may invest in foreign securities, its income from such securities may be subject to non-U.S. taxes. The Fund will not be eligible to elect to "pass through" to Common Shareholders of the Fund the ability to use the foreign tax deduction or foreign tax credit for foreign taxes paid by the Fund with respect to qualifying taxes.

Income from options on individual stocks written by the Fund will not be recognized by the Fund for tax purposes until an option is exercised, lapses or is subject to a "closing transaction" (as defined by applicable regulations) pursuant to which the Fund's obligations with respect to the option are otherwise terminated. If the option lapses without exercise or is otherwise subject to a closing transaction, the premiums received by the Fund from the writing of such options will generally be characterized as short-term capital gain. If an option written by the Fund is exercised, the Fund may recognize taxable gain depending on the exercise price of the option, the option premium, and the fair market value of the security underlying the option. The character of any gain on the sale of the underlying security as short-term or long-term capital gain will depend on the holding period of the Fund in the underlying security. In general, distributions received by shareholders of the Fund that are attributable to short-term capital gains recognized by the Fund from its option writing activities will be taxed to such shareholders as ordinary income and will not be eligible for the reduced tax rate applicable to qualified dividend income.

Options on indices of securities and sectors of securities that qualify as "section 1256 contracts" will generally be "marked-to-market" for U.S. federal income tax purposes. As a result, the Fund will generally recognize gain or loss on the last day of each taxable year equal to the difference between the value of the option on that date and the adjusted basis of the option. The adjusted basis of the option will consequently be increased by such gain or decreased by such loss. Any gain or loss with respect to options on indices and sectors that qualify as "section 1256 contracts" will be treated as short-term capital gain or loss to the extent of 40% of such gain or loss and long-term capital gain or loss to the extent of 60% of such gain or loss. Because the mark-to-market rules may cause the Fund to recognize gain in advance of the receipt of cash, the Fund may be required to dispose of investments in order to meet its distribution

requirements. “Mark-to-market” losses may be suspended or otherwise limited if such losses are part of a straddle or similar transaction.

Taxation of Common Shareholders

The Fund will either distribute or retain for reinvestment all or part of its net capital gain. If any such gain is retained, the Fund will be subject to a corporate income tax (currently at a maximum rate of 35%) on such retained amount. In that event, the Fund expects to designate the retained amount as undistributed capital gain in a notice to its Common Shareholders, each of whom, if subject to U.S. federal income tax on long-term capital gains, (i) will be required to include in income for U.S. federal income tax purposes as long-term capital gain its share of such undistributed amounts, (ii) will be entitled to credit its proportionate share of the tax paid by the Fund against its U.S. federal income tax liability and to claim refunds to the extent that the credit exceeds such liability and (iii) will increase its basis in its Common Shares by the amount of undistributed capital gain included in such Common Shareholder's gross income net of the tax deemed paid by the shareholder under clause (ii).

Distributions paid to you by the Fund from its net capital gains, if any, that the Fund properly reports as capital gains dividends ("capital gain dividends") are taxable as long-term capital gains, regardless of how long you have held your Common Shares. All other dividends paid to you by the Fund (including dividends from net short-term capital gains) from its current or accumulated earnings and profits ("ordinary income dividends") are generally subject to tax as ordinary income. Special rules apply, however, to ordinary income dividends paid to individuals. For corporate taxpayers, both ordinary income dividends and capital gain dividends are taxed at a maximum rate of 35%. Capital gain dividends are not eligible for the dividends received deduction.

Properly reported ordinary income dividends received by corporate holders of Common Shares generally will be eligible for the dividends received deduction to the extent that the Fund's income consists of dividend income from U.S. corporations and certain holding period and other requirements are satisfied by both the Fund and the corporate shareholders. In the case of Common Shareholders who are individuals, properly reported ordinary income dividends that you receive from the Fund generally will be eligible for taxation at the rates applicable to long-term capital gains to the extent that (i) the ordinary income dividend is attributable to "qualified dividend income" (i.e., generally dividends paid by U.S. corporations and certain foreign corporations) received by the Fund, (ii) the Fund satisfies certain holding period and other requirements with respect to the stock on which such qualified dividend income was paid and (iii) you satisfy certain holding period and other requirements with respect to your Common Shares. In addition, for dividends to be eligible for the dividends received deduction or for reduced rates applicable to individuals, the Fund cannot have an option to sell or be under a contractual obligation to sell (pursuant to a short sale or otherwise) substantially identical stock or securities. Accordingly, the Fund's writing of call options may, depending on the terms of the option, adversely impact the Fund's ability to pay dividends eligible for the dividends received deduction or for reduced rates applicable to individuals. Qualified dividend income eligible for these special rules is not actually treated as capital gains, however, and thus will not be included in the computation of your net capital gain and generally cannot be used to offset any capital losses.

Any distributions you receive that are in excess of the Fund's current and accumulated earnings and profits will be treated as a tax-free return of capital to the extent of your adjusted tax basis in your Common Shares, and thereafter as capital gain from the sale of Common Shares (assuming the Common Shares are held as a capital asset). The amount of any Fund distribution that is treated as a tax-free return of capital will reduce your adjusted tax basis in your Common Shares, thereby increasing your potential gain or reducing your potential loss on any subsequent sale or other disposition of your Common Shares.

Common Shareholders may be entitled to offset their capital gain dividends with capital losses. The Code contains a number of statutory provisions affecting when capital losses may be offset against capital gain, and limiting the use of losses from certain investments and activities. Accordingly, Common Shareholders that have capital losses are urged to consult their tax advisers.

Dividends and other taxable distributions are taxable to you even though they are reinvested in additional Common Shares of the Fund. Dividends and other distributions paid by the Fund are generally treated under the Code as received by you at the time the dividend or distribution is made. If, however, the Fund pays you a dividend in January that was declared in the previous October, November or December and you were the Common Shareholder of record on a specified date in one of such months, then such dividend will be treated for U.S. federal income tax purposes as being paid by the Fund and received by you on December 31 of the year in which the dividend was declared. In addition, certain other distributions made after the close of the Fund's taxable year may be

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“spilled back” and treated as paid by the Fund (except for purposes of the 4% nondeductible excise tax) during such taxable year. In such case, you will be treated as having received such dividends in the taxable year in which the distributions were actually made.

The price of Common Shares purchased at any time may reflect the amount of a forthcoming distribution. Those purchasing Common Shares just prior to a distribution will receive a distribution which will be taxable to them even though it represents in part a return of invested capital.

The Fund will send you information after the end of each year setting forth the amount and tax status of any distributions paid to you by the Fund.

Ordinary income dividends and capital gain dividends also may be subject to state and local taxes. Common Shareholders are urged to consult their own tax advisers regarding specific questions about U.S. federal (including the application of the alternative minimum tax rules), state, local or foreign tax consequences to them of investing in the Fund.

The sale or other disposition of Common Shares will generally result in capital gain or loss to you and will be long-term capital gain or loss if you have held such Common Shares for more than one year at the time of sale. Any loss upon the sale or other disposition of Common Shares held for six months or less will be treated as long-term capital loss to the extent of any capital gain dividends received (including amounts credited as an undistributed capital gain dividend) by you with respect to such Common Shares. Any loss you recognize on a sale or other disposition of Common Shares will be disallowed if you acquire other Common Shares (whether through the automatic reinvestment of dividends or otherwise) within a 61-day period beginning 30 days before and ending 30 days after your sale or exchange of the Common Shares. In such case, your tax basis in the Common Shares acquired will be adjusted to reflect the disallowed loss.

Current U.S. federal income tax law taxes both long-term and short-term capital gain of corporations at the rates applicable to ordinary income. For non-corporate taxpayers, short-term capital gain is currently taxed at rates applicable to ordinary income while long-term capital gain generally is taxed at a reduced maximum rate. The deductibility of capital losses is subject to limitations under the Code.

An additional 3.8% Medicare tax will be imposed on certain net investment income (including ordinary dividends and capital gain distributions received from a Fund and net gains from redemptions or other taxable dispositions of Fund shares) of U.S. individuals, estates and trusts to the extent that such person’s “modified adjusted gross income” (in the case of an individual) or “adjusted gross income” (in the case of an estate or trust) exceeds certain threshold amounts.

A Common Shareholder that is a nonresident alien individual or a foreign corporation (a “foreign investor”) generally will be subject to U.S. federal withholding tax at the rate of 30% (or possibly a lower rate provided by an applicable tax treaty) on ordinary income dividends (except as discussed below). In general, U.S. federal withholding tax and U.S. federal income tax will not apply to any gain or income realized by a foreign investor in respect of any distribution of net capital gain (including amounts credited as an undistributed capital gain dividend) or upon the sale or other disposition of Common Shares of the Fund. Different tax consequences may result if the foreign investor is engaged in a trade or business in the United States or, in the case of an individual, is present in the United States for 183 days or more during a taxable year and certain other conditions are met.

Foreign investors should consult their tax advisers regarding the tax consequences of investing in the Fund’s Common Shares.

For taxable years of the Fund beginning before January 1, 2014 (and, if extended, as has happened in the past, for taxable years covered by such extension), dividends properly reported by the Fund are generally exempt from U.S. federal withholding tax where they (i) are paid in respect of the Fund's "qualified net interest income" (generally, the Fund's U.S.-source interest income, other than certain contingent interest and interest from obligations of a corporation or partnership in which the Fund is at least a 10% shareholder, reduced by expenses that are allocable to such income) or (ii) are paid in respect of the Fund's "qualified short-term capital gains" (generally, the excess of the Fund's net short-term capital gain over the Fund's long-term capital loss for such taxable year).

There can be no assurance as to whether this provision will be extended. In addition, even if this provision were extended, depending on its circumstances, the Fund may report all, some or none of its potentially eligible dividends as such qualified net interest income or as qualified short-term capital gains, and/or treat such dividends, in whole or in part, as ineligible for this exemption from withholding. In order to qualify for this exemption from withholding, a foreign investor needs to comply with applicable certification requirements relating to its non-U.S. status (including, in general, furnishing an IRS Form W-8BEN, W-8BEN-E or substitute Form). In the case of Common Shares held through an intermediary, the intermediary may withhold even if the Fund reports the payment as qualified net interest income or qualified short-term capital gain. Foreign investors should contact their intermediaries with respect to the application of these rules to their accounts. There can be no assurance as to what portion of the Fund's distributions will qualify for favorable treatment as qualified net interest income or qualified short-term capital gains if this provision is extended.

In addition, withholding at a rate of 30% is required on dividends in respect of, and after December 31, 2016, on gross proceeds from the sale of, Common Shares held by or through certain foreign financial institutions (including investment funds), unless such institution enters into an agreement with the Secretary of the Treasury to report, on an annual basis, information with respect to shares in, and accounts maintained by, the institution to the extent such shares or accounts are held by certain U.S. persons or by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold on certain payments. Accordingly, the entity through which Common Shares are held will affect the determination of whether such withholding is required. Similarly, dividends in respect of, and gross proceeds from the sale of, Common Shares held by an investor that is a non-financial non-U.S. entity will be subject to withholding at a rate of 30%, unless such entity either (i) certifies that such entity does not have any "substantial U.S. owners" or (ii) provides certain information regarding the entity's "substantial U.S. owners," which the applicable withholding agent will in turn provide to the Secretary of the Treasury. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury regulations or other guidance, may modify these requirements. Non-U.S. Common Shareholders are encouraged to consult with their tax advisers regarding the possible implications of these rules on their investment in our Common Shares.

The Fund may be required to withhold, for U.S. federal backup withholding tax purposes, a portion of the dividends, distributions and redemption proceeds payable to certain non-exempt Common Shareholders who fail to provide the Fund (or its agent) with their correct taxpayer identification number (in the case of individuals, generally, their social security number) or to make required certifications, or who are otherwise subject to backup withholding. Backup withholding is not an additional tax and any amount withheld may be refunded or credited against your U.S. federal income tax liability, if any, provided that you timely furnish the required information to the IRS.

GENERAL INFORMATION

Proxy Voting Policy and Procedures and Proxy Voting Record

The Sub-Adviser will be responsible for voting proxies on securities held in the Fund's portfolio. The Sub-Adviser's Proxy Voting Policy and Procedures are included as Appendix B to this Statement of Additional Information.

Information on how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30 will be available without charge, upon request, by calling (800) 345-7999 or by visiting our website at www.guggenheiminvestments.com. This information is also available on the SEC's website at www.sec.gov.

Principal Shareholders

As of October 31, 2014, to the knowledge of the Fund, no person beneficially owned more than 5% of the voting securities of any class of equity securities of the Fund, except as follows:

Shareholder Name & Address	Class of Shares	Share Holdings	Percentage Owned
First Trust Portfolios L.P.(1)	Common Shares	1,113,389	18.56%
First Trust Advisors L.P.			
The Charger Corporation			
120 East Liberty Drive, Suite 400			
Wheaton, Illinois 60187			

(1) Based on information obtained from a Schedule 13 G/A filed with the SEC on October 10, 2014.

Legal Matters

Certain legal matters will be passed on for the Fund by Skadden, Arps, Slate, Meagher & Flom LLP, New York, New York, in connection with the offering of the Common Shares.

Independent Registered Public Accounting Firm

Ernst & Young LLP, McLean, Virginia, is the independent registered public accounting firm of the Fund. The Fund's independent registered public accounting firm is expected to render an opinion annually on the financial statements of the Fund. The Fund's audited financial statements incorporated by reference in this SAI and the report of Ernst & Young LLP thereon, have been incorporated by reference in this SAI in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

Code of Ethics

The Fund, the Investment Adviser and the Sub-Adviser each have adopted a code of ethics. The codes of ethics sets forth restrictions on the trading activities of trustees/directors, officers and employees of the Fund, the Investment Adviser and the Sub-Adviser and their affiliates, as applicable. The codes of ethics of the Fund, the Investment Adviser and the Sub-Adviser are on file with the SEC and can be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling the SEC at (202) 551-8090. The codes of ethics are also available on the EDGAR Database on the SEC's Internet site at www.sec.gov, and copies of the code of ethics may be obtained, after paying a duplicating fee, by electronic request at the following email address: publicinfo@sec.gov, or by writing the SEC's Public Reference Section, Washington, D.C. 20549-0102.

FINANCIAL STATEMENTS

The Fund's audited financial statements appearing in the Fund's annual report to shareholders for the fiscal year ended May 31, 2014, including accompanying notes thereto and the report of Ernst & Young LLP thereon, as contained in the Fund's Form N-CSR filed with the SEC on August 8, 2014, are incorporated by reference in this Statement of Additional Information. Shareholder reports are available upon request and without charge by calling (800) 345-7999 or by writing the Fund at 227 West Monroe Street, Chicago, IL 60606. All other portions of the Fund's annual report to shareholders are not incorporated herein by reference and are not part of the Fund's registration statement, this Statement of Additional Information, the Prospectus or any Prospectus Supplement.

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Appendix A

DESCRIPTION OF SECURITIES RATING

STANDARD & POOR'S CORPORATION

A brief description of the applicable Standard & Poor's Corporation ("S&P") rating symbols and their meanings (as published by S&P) follows.

Issue Credit Ratings Definition

A Standard & Poor's issue credit rating is a forward-looking opinion about the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium-term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation and takes into account the currency in which the obligation is denominated. The opinion reflects S&P's view of the obligor's capacity and willingness to meet its financial commitments as they come due, and may assess terms, such as collateral security and subordination, which could affect ultimate payment in the event of default.

Issue credit ratings can be either long term or short term. Short-term ratings are generally assigned to those obligations considered short-term in the relevant market. In the U.S., for example, that means obligations with an original maturity of no more than 365 days — including commercial paper. Short-term ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. The result is a dual rating, in which the short-term rating addresses the put feature, in addition to the usual long-term rating. Medium-term notes are assigned long-term ratings.

Long-Term Issue Credit Ratings*

Issue credit ratings are based, in varying degrees, on S&P's analysis of the following considerations:

- Likelihood of payment-capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation;
- Nature of and provisions of the obligation;
- Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

Issue ratings are an assessment of default risk, but may incorporate an assessment of relative seniority or ultimate recovery in the event of default. Junior obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy, as noted above. (Such differentiation may apply when an entity has both senior and subordinated obligations, secured and unsecured obligations, or operating company and holding company obligations.)

AAA An obligation rated 'AAA' has the highest rating assigned by S&P. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA An obligation rated ‘AA’ differs from the highest-rated obligations only to a small degree. The obligor’s capacity to meet its financial commitment on the obligation is very strong.

A An obligation rated ‘A’ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor’s capacity to meet its financial commitment on the obligation is still strong.

*Plus (+) or minus (-) The ratings from ‘AA’ to ‘CCC’ may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

A–1

BBB An obligation rated ‘BBB’ exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB; B; CCC; CC; and C Obligations rated ‘BB’, ‘B’, ‘CCC’, ‘CC’, and ‘C’ are regarded as having significant speculative characteristics. ‘BB’ indicates the least degree of speculation and ‘C’ the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

BB An obligation rated ‘BB’ is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor’s inadequate capacity to meet its financial commitment on the obligation.

B An obligation rated ‘B’ is more vulnerable to nonpayment than obligations rated ‘BB’, but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor’s capacity or willingness to meet its financial commitment on the obligation.

CCC An obligation rated ‘CCC’ is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC An obligation rated ‘CC’ is currently highly vulnerable to nonpayment.

C A ‘C’ rating is assigned to obligations that are currently highly vulnerable to nonpayment, obligations that have payment arrearages allowed by the terms of the documents, or obligations of an issuer that is the subject of a bankruptcy petition or similar action which have not experienced a payment default. Among others, the ‘C’ rating may be assigned to subordinated debt, preferred stock or other obligations on which cash payments have been suspended in accordance with the instrument’s terms or when preferred stock is the subject of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

D An obligation rated ‘D’ is in payment default. The ‘D’ rating category is used when payments on an obligation are not made on the date due, unless Standard & Poor’s believes that such payments will be made within five business days, irrespective of any grace period. The ‘D’ rating also will be used upon the filing of a bankruptcy petition or the taking of similar action if payments on an obligation are jeopardized. An obligation’s rating is lowered to ‘D’ upon completion of a distressed exchange offer, whereby some or all of the issue is either repurchased for an amount of cash or replaced by other instruments having a total value that is less than par.

NR This indicates that no rating has been requested, that there is insufficient information on which to base a rating, or that S&P does not rate a particular obligation as a matter of policy.

Short-Term Issue Credit Ratings

A-1 A short-term obligation rated ‘A-1’ is rated in the highest category by S&P. The obligor’s capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor’s capacity to meet its financial commitment on these obligations is extremely strong.

A-2 A short-term obligation rated ‘A-2’ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor’s capacity to meet its financial commitment on the obligation is satisfactory.

A–2

A-3 A short-term obligation rated ‘A-3’ exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

B A short-term obligation rated ‘B’ is regarded as vulnerable and has significant speculative characteristics. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties which could lead to the obligor’s inadequate capacity to meet its financial commitments.

C A short-term obligation rated ‘C’ is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation.

D A short-term obligation rated ‘D’ is in payment default. The ‘D’ rating category is used when payments on an obligation are not made on the date due, unless Standard & Poor’s believes that such payments will be made within any stated grace period. However, any stated grace period longer than five business days will be treated as five business days. The ‘D’ rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

SPUR (S&Ps Underlying Rating) A SPUR rating is a rating of a stand-alone capacity of an issue to pay debt service on a credit-enhanced debt issue, without giving effect to the enhancement that applies to it. These ratings are published only at the request of the debt issuer/obligor with the designation SPUR to distinguish them from the credit-enhanced rating that applies to the debt issue. S&P maintains surveillance of an issue with a published SPUR.

Municipal Short-Term Note Ratings Definitions

A S&P’s U.S. Municipal note rating reflects S&P’s opinion about the liquidity factors and market access risks unique to the notes. Notes due in three years or less will likely receive a note rating. Notes with an original maturity of more than three years will most likely receive a long-term debt rating. In determining which type of rating, if any, to assign, S&P’s analysis will review the following considerations:

- Amortization schedule — the larger the final maturity relative to other maturities, the more likely it will be treated as a note; and
- Source of payment — the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.

Note rating symbols are as follows:

SP-1 Strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation.

SP-2 Satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.

SP-3 Speculative capacity to pay principal and interest.

Dual Ratings S&P assigns “dual” ratings to all debt issues that have a put option or demand feature as part of their structure. The first rating addresses the likelihood of repayment of principal and interest as due, and the second rating addresses only the demand feature. The long-term rating symbols are used for bonds to denote the long-term maturity

and the short-term rating symbols for the put option (for example, ‘AAA/A-1+’). With U.S. municipal short-term demand debt, note rating symbols are used with the short-term issue credit rating symbols (for example, ‘SP-1+/A-1+’).

The ratings and other credit related opinions of S&P and its affiliates are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or make any investment decisions. S&P assumes no obligation to update any information following publication. Users of ratings

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and credit related opinions should not rely on them in making any investment decision. S&P's opinions and analyses do not address the suitability of any security. S&P's Financial Services LLC does not act as a fiduciary or an investment advisor. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Ratings and credit related opinions may be changed, suspended, or withdrawn at any time.

Active Qualifiers (Currently Applied and/or Outstanding)

i This suffix is used for issues in which the credit factors, terms, or both, that determine the likelihood of receipt of payment of interest are different from the credit factors, terms or both that determine the likelihood of receipt of principal on the obligation. The 'i' suffix indicates that the rating addresses the interest portion of the obligation only. The 'i' suffix will always be used in conjunction with the 'p' suffix, which addresses likelihood of receipt of principal. For example, a rated obligation could be assigned ratings of "AAAp NRi" indicating that the principal portion is rated "AAA" and the interest portion of the obligation is not rated.

L Ratings qualified with 'L' apply only to amounts invested up to federal deposit insurance limits.

p This suffix is used for issues in which the credit factors, the terms, or both, that determine the likelihood of receipt of payment of principal are different from the credit factors, terms or both that determine the likelihood of receipt of interest on the obligation. The 'p' suffix indicates that the rating addresses the principal portion of the obligation only. The 'p' suffix will always be used in conjunction with the 'i' suffix, which addresses likelihood of receipt of interest. For example, a rated obligation could be assigned ratings of "AAAp NRi" indicating that the principal portion is rated "AAA" and the interest portion of the obligation is not rated.

pi Ratings with a 'pi' suffix are based on an analysis of an issuer's published financial information, as well as additional information in the public domain. They do not, however, reflect in-depth meetings with an issuer's management and therefore may be based on less comprehensive information than ratings without a 'pi' suffix. Ratings with a 'pi' suffix are reviewed annually based on a new year's financial statements, but may be reviewed on an interim basis if a major event occurs that may affect the issuer's credit quality.

preliminary Preliminary ratings, with the 'prelim' suffix, may be assigned to obligors or obligations, including financial programs, in the circumstances described below. Assignment of a final rating is conditional on the receipt by S&P of appropriate documentation. S&P reserves the right not to issue a final rating. Moreover, if a final rating is issued, it may differ from the preliminary rating.

- Preliminary ratings may be assigned to obligations, most commonly structured and project finance issues, pending receipt of final documentation and legal opinions.

- Preliminary ratings are assigned to Rule 415 Shelf Registrations. As specific issues, with defined terms, are offered from the master registration, a final rating may be assigned to them in accordance with Standard & Poor's policies.

- Preliminary ratings may be assigned to obligations that will likely be issued upon the obligor's emergence from bankruptcy or similar reorganization, based on late-stage reorganization plans, documentation and discussions with the obligor. Preliminary ratings may also be assigned to the obligors. These ratings consider the anticipated general credit quality of the reorganized or postbankruptcy issuer as well as attributes of the anticipated obligation(s).

- Preliminary ratings may be assigned to entities that are being formed or that are in the process of being independently established when, in S&P's opinion, documentation is close to final.

Preliminary ratings may also be assigned to these entities' obligations.

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- Preliminary ratings may be assigned when a previously unrated entity is undergoing a well-formulated restructuring, recapitalization, significant financing or other transformative event, generally at the point that investor or lender commitments are invited. The preliminary rating may be assigned to the entity and to its proposed obligation(s). These preliminary ratings consider the anticipated general credit quality of the obligor, as well as attributes of the anticipated obligation(s), assuming successful completion of the transformative event. Should the transformative event not occur, S&P would likely withdraw these preliminary ratings.

  A preliminary recovery rating may be assigned to an obligation that has a preliminary issue credit rating.
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sf The (sf) suffix is assigned to all issues and issuers to which a regulation, such as the European Union Regulation on Credit Rating Agencies, requires the assignment of an additional symbol which distinguishes a structured finance instrument or obligor (as defined in the regulation) from any other instrument or obligor. The addition of this suffix to a credit rating does not change the definition of that rating or our opinion about the issue's or issuer's creditworthiness.

t This symbol indicates termination structures that are designed to honor their contracts to full maturity or, should certain events occur, to terminate and cash settle all their contracts before their final maturity date.

unsolicited Unsolicited ratings are those credit ratings assigned at the initiative of S&P and not at the request of the issuer or its agents.

MOODY'S INVESTORS SERVICE, INC.

A brief description of the applicable Moody's Investors Service, Inc. ("Moody's") rating symbols and their meanings (as published by Moody's) follows.

Long-Term Obligation Ratings. Moody's long-term obligation ratings are opinions of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honored as promised. Such ratings reflect both the likelihood of default and any financial loss suffered in the event of default.

Aaa Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.

Baa Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Ba Obligations rated Ba are judged to be speculative and are subject to substantial credit risk.

B Obligations rated B are considered speculative and are subject to high credit risk.

Caa Obligations rated Caa are judged to be speculative of poor standing and are subject to very high credit risk.

Ca Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C Obligations rated C are the lowest rated and are typically in default, with little prospect for recovery of principal or interest.

A–5

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category. Additionally, a "(hyb)" indicator is appended to all ratings of hybrid securities issued by banks, insurers, finance companies, and securities firms.

Short-Term Ratings. Moody's short-term ratings are opinions of the ability of issuers to honor short-term financial obligations. Ratings may be assigned to issuers, short-term programs or to individual short-term debt instruments. Such obligations generally have an original maturity not exceeding thirteen months, unless explicitly noted.

Moody's employs the following designations to indicate the relative repayment ability of rated issuers:

P-1 Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.

P-2 Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.

P-3 Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.

NP Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

While the global short-term 'prime' rating scale is applied to US municipal tax-exempt commercial paper, these programs are typically backed by external letters of credit or liquidity facilities and their short-term prime ratings usually map to the long-term rating of the enhancing bank or financial institution and not the municipality's rating. Other short-term municipal obligations, which generally have different funding sources for repayment, are rated using two additional short-term rating scales (i.e., the MIG and VMIG scales discussed below).

The Municipal Investment Grade (MIG) scale is used to rate US municipal bond anticipation notes of up to three years maturity. Municipal notes rated on the MIG scale may be secured by either pledged revenues or proceeds of a take-out financing received prior to note maturity. MIG ratings expire at the maturity of the obligation, and the issuer's long-term rating is only one consideration in assigning the MIG rating. MIG ratings are divided into three levels — MIG1 through MIG3 — while speculative grade short-term obligations are designated SG.

MIG 1 This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.

MIG 2 This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.

MIG 3 This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.

SG This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection.

Demand Obligation Ratings. In the case of variable rate demand obligations (VRDOs), a two-component rating is assigned; a long- or short-term debt rating and a demand obligation rating. The first element represents Moody's evaluation of risk associated with scheduled principal and interest payments. The second element represents Moody's evaluation of risk associated with the ability to receive purchase price upon demand ("demand feature"), using a

variation of the MIG rating scale, the Variable Municipal Investment Grade or VMIG rating. The rating transitions on the VMIG scale differ from those on the Prime scale to reflect the risk that external liquidity support generally will terminate if the issuer's long-term rating drops below investment grade.

When either the long- or short-term aspect of a VRDO is not rated, that piece is designated NR, e.g., Aaa/NR or NR/VMIG 1.

VMIG rating expirations are a function of each issue's specific structural or credit features.

VMIG 1

This designation denotes superior credit quality. Excellent protection is afforded by the superior short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

VMIG 2

This designation denotes strong credit quality. Good protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

VMIG 3

This designation denotes acceptable credit quality. Adequate protection is afforded by the satisfactory short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

SG

This designation denotes speculative-grade credit quality. Demand features rated in this category may be supported by a liquidity provider that does not have an investment grade short-term rating or may lack the structural and/or legal protections necessary to ensure the timely payment of purchase price upon demand.

Other Ratings Symbols

e Expected Ratings Indicator. To address market demand for timely information on particular types of credit ratings, Moody's has licensed to certain third parties the right to generate "Expected Ratings." Expected Ratings are designated by an "e" after the rating code, and are intended to anticipate Moody's forthcoming rating assignments based on reliable information from third party sources (such as the issuer or underwriter associated with the particular securities) or established Moody's rating practices (i.e. medium term notes are typically, but not always, assigned the same rating as the note's program rating). Expected Ratings will exist only until Moody's confirms the Expected Rating, or issues a different rating for the relevant instrument. Moody's encourages market participants to contact Moody's Ratings Desk or visit www.moodys.com if they have questions, or wish Moody's to confirm an Expected Rating.

(P) Provisional Ratings. As a service to the market and at the request of an issuer, Moody's will often assign a provisional rating when the assignment of a final rating is subject to the fulfillment of contingencies but it is highly likely that the rating will become definitive after all documents are received or an obligation is issued into the market. A provisional rating is denoted by placing a (P) in front of the rating. Such ratings are typically assigned to shelf registrations under SEC rule 415 or transaction-based structures that require investor education. When a transaction uses a well-established structure and the transaction's structure and terms are not expected to change prior to sale in a manner that would affect the rating, a definitive rating may be assigned directly.

Refundeds. Issues that are secured by escrowed funds held in trust, reinvested in direct, non-callable US government obligations or non-callable obligations unconditionally guaranteed by the US Government or Resolution Funding Corporation are identified with a # (hatch mark) symbol, e.g., #Aaa.

WR Withdrawn. When Moody’s no longer rates an obligation on which it previously maintained a rating, the symbol WR is employed.

NR Not Rated. The symbol NR is assigned to unrated obligations, issuers and/or programs.

NAV Not Available. An issue that Moody’s has not yet rated is denoted by the NAV symbol.

TWR Terminated Without Rating. The symbol TWR applies primarily to issues that mature or are redeemed without having been rated.

FITCH RATINGS, INC.

A brief description of the applicable Fitch Ratings, Inc. ("Fitch") ratings symbols and meanings (as published by Fitch) follows.

Rated entities in a number of sectors, including financial and non-financial corporations, sovereigns and insurance companies, are generally assigned Issuer Default Ratings (IDRs). IDRs opine on an entity's relative vulnerability to default on financial obligations. The "threshold" default risk addressed by the IDR is generally that of the financial obligations whose non-payment would best reflect the uncured failure of that entity. As such, IDRs also address relative vulnerability to bankruptcy, administrative receivership or similar concepts, although the agency recognizes that issuers may also make pre-emptive and therefore voluntary use of such mechanisms.

In aggregate, IDRs provide an ordinal ranking of issuers based on the agency's view of their relative vulnerability to default, rather than a prediction of a specific percentage likelihood of default. For historical information on the default experience of Fitch-rated issuers, please consult the transition and default performance studies available from the Fitch Ratings website.

Long-Term Credit Ratings Scales

AAA Highest credit quality. 'AAA' ratings denote the lowest expectation of default risk. They are assigned only in cases of exceptionally strong capacity for payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA Very high credit quality. 'AA' ratings denote expectations of very low default risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A High credit quality. 'A' ratings denote expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.

BBB Good credit quality. 'BBB' ratings indicate that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate but adverse business or economic conditions are more likely to impair this capacity.

BB Speculative. 'BB' ratings indicate an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial flexibility exists which supports the servicing of financial commitments.

B Highly speculative. 'B' ratings indicate that material default risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is vulnerable to deterioration in the business and economic environment.

CCC Substantial credit risk. Default is a real possibility.

CC Very high levels of credit risk. Default of some kind appears probable.

C Exceptionally High Levels of Credit Risk. Default is imminent or inevitable, or the issuer is in standstill.

Conditions that are indicative of a ‘C’ category rating for an issuer include:

a. the issuer has entered into a grace or cure period following non-payment of a material financial obligation;

b. the issuer has entered into a temporary negotiated waiver or standstill agreement following a payment default on a material financial obligation; or

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c. Fitch Ratings otherwise believes a condition of ‘RD’ or ‘D’ to be imminent or inevitable, including through the formal announcement of a distressed debt exchange.

RD Restricted default. ‘RD’ ratings indicate an issuer that in Fitch’s opinion has experienced an uncured payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased operating. This would include:

a. the selective payment default on a specific class or currency of debt;

b. the uncured expiry of any applicable grace period, cure period or default forbearance period following a payment default on a bank loan, capital markets security or other material financial obligation;

c. the extension of multiple waivers or forbearance periods upon a payment default on one or more material financial obligations, either in series or in parallel; or

d. execution of a distressed debt exchange on one or more material financial obligations.

D: Default. ‘D’ ratings indicate an issuer that in Fitch Ratings’ opinion has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

Default ratings are not assigned prospectively to entities or their obligations; within this context, non-payment on an instrument that contains a deferral feature or grace period will generally not be considered a default until after the expiration of the deferral or grace period, unless a default is otherwise driven by bankruptcy or other similar circumstance, or by a distressed debt exchange.

“Imminent” default typically refers to the occasion where a payment default has been intimated by the issuer, and is all but inevitable. This may, for example, be where an issuer has missed a scheduled payment, but (as is typical) has a grace period during which it may cure the payment default. Another alternative would be where an issuer has formally announced a distressed debt exchange, but the date of the exchange still lies several days or weeks in the immediate future.

In all cases, the assignment of a default rating reflects the agency’s opinion as to the most appropriate rating category consistent with the rest of its universe of ratings, and may differ from the definition of default under the terms of an issuer’s financial obligations or local commercial practice.

Note: The modifiers “+” or “-” may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the ‘AAA’ Long-Term IDR category, or to Long-Term IDR categories below ‘B’.

Limitations for the Issuer Credit Rating Scale:

Specific limitations relevant to the issuer credit rating scale include:

- The ratings do not predict a specific percentage of default likelihood over any given time period.

- The ratings do not opine on the market value of any issuer's securities or stock, or the likelihood that this value may change.

- The ratings do not opine on the liquidity of the issuer's securities or stock.

- The ratings do not opine on the possible loss severity on an obligation should an issuer default.

- The ratings do not opine on the suitability of an issuer as counterparty to trade credit.

- The ratings do not opine on any quality related to an issuer's business, operational or financial profile other than the agency's opinion on its relative vulnerability to default.

Ratings assigned by Fitch Ratings articulate an opinion on discrete and specific areas of risk. The above list is not exhaustive, and is provided for the reader's convenience.

Short-Term Ratings Assigned to Issuers or Obligations in Corporate, Public and Structured Finance. A short-term issuer or obligation rating is based in all cases on the short-term vulnerability to default of the rated entity or security stream and relates to the capacity to meet financial obligations in accordance with the documentation governing the relevant obligation. Short-Term Ratings are assigned to obligations whose initial maturity is viewed as "short term" based on market convention. Typically, this means up to 13 months for corporate, sovereign, and structured obligations, and up to 36 months for obligations in U.S. public finance markets.

F1: Highest short-term credit quality. Indicates the strongest intrinsic capacity for timely payment of financial commitments; may have an added "+" to denote any exceptionally strong credit feature.

F2: Good short-term credit quality. Good intrinsic capacity for timely payment of financial commitments.

F3: Fair short-term credit quality. The intrinsic capacity for timely payment of financial commitments is adequate.

B: Speculative short-term credit quality. Minimal capacity for timely payment of financial commitments, plus heightened vulnerability to near term adverse changes in financial and economic conditions.

C: High short-term default risk. Default is a real possibility.

RD: Restricted default. Indicates an entity that has defaulted on one or more of its financial commitments, although it continues to meet other financial obligations. Applicable to entity ratings only.

D: Default. Indicates a broad-based default event for an entity, or the default of a short-term obligation.

Limitations of the Short-Term Ratings Scale:

Specific limitations relevant to the Short-Term Ratings scale include:

- The ratings do not predict a specific percentage of default likelihood over any given time period.

- The ratings do not opine on the market value of any issuer's securities or stock, or the likelihood that this value may change.

- The ratings do not opine on the liquidity of the issuer's securities or stock.

- The ratings do not opine on the possible loss severity on an obligation should an obligation default.

- The ratings do not opine on any quality related to an issuer or transaction's profile other than the agency's opinion on the relative vulnerability to default of the rated issuer or obligation.

Ratings assigned by Fitch Ratings articulate an opinion on discrete and specific areas of risk. The above list is not exhaustive, and is provided for the reader's convenience.

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Appendix B

GUGGENHEIM PARTNERS INVESTMENT MANAGEMENT, LLC
PROXY VOTING POLICY AND PROCEDURES

POLICY

Guggenheim Partners Investment Management, LLC ("GPIM") generally is responsible for voting proxies with respect to securities held in client accounts, including clients registered as investment companies under the Investment Company Act of 1940 ("Funds") and clients that are pension plans ("Plans") subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). This document sets forth GPIM's policies and guidelines with respect to proxy voting and its procedures to comply with SEC Rule 206(4)-6 under the Investment Advisers Act of 1940. Rule 206(4)-6 requires each registered investment adviser that exercises proxy voting authority with respect to client securities to:

- Adopt and implement written policies and procedures reasonably designed to ensure that the adviser votes client securities in the best interest of clients; such policies and procedures must address the manner in which the adviser will resolve material conflicts of interest that can arise during the proxy voting process;
- Disclose to clients how they may obtain information from the adviser about how the adviser voted proxies with respect to their securities; and
- Describe to clients the adviser's proxy voting procedures and, upon request, furnish a copy of the policies and procedures.

Where GPIM has been delegated the responsibility for voting proxies, it must take reasonable steps under the circumstances to ensure that proxies are received and voted in the best long-term interests of its clients. This generally means voting proxies with a view to enhancing the value of the shares of stock held in client accounts, considering all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of the proxy vote. GPIM's authority is initially established by its advisory contracts or comparable documents. Clients, however, may change their proxy voting direction at any time.

The financial interest of GPIM's clients is the primary consideration in determining how proxies should be voted. Any material conflicts of interest between GPIM and its clients with respect to proxy voting are resolved in the best interests of the clients.

PROCEDURES

1. Overview

Guggenheim Partners Investment Management, LLC ("GPIM") utilizes the services of an outside proxy voting firm, Institutional Shareholder Services Inc. ("ISS"), to act as agent for the proxy process, to maintain records on proxy votes for its clients, and to provide independent research on corporate governance, proxy and corporate responsibility issues. The proxy voting guidelines (the "Guidelines"), attached as Appendix A and Appendix B to these Proxy Voting Policy and Procedures, set forth the ISS guidelines that GPIM uses in voting specific proposals. Depending on the objective of Fund or client account and the portfolio team managing, GPIM will assign the proxy voting guidelines in Appendix A or B to determine how proxies will be voted. GPIM reviews these voting recommendations and generally votes proxies in accordance with such recommendations.

However, the vote entered on a client's behalf with respect to a particular proposal may differ from the Guidelines if it is determined to be in the best interest of the client. If a proposal is voted in a manner different than set forth in the Guidelines, the reasons therefore shall be documented in writing by the appropriate investment team(s) and retained by Operations. The manner in which specific proposals are to be voted may differ based on the type of client

account. For example, a specific proposal may be considered on a case-by-case basis for socially aware client accounts, while all other accounts may always vote in favor of the proposal.

In the absence of contrary instructions received from GPIM, ISS will vote proxies in accordance with the Guidelines attached as Appendix A or Appendix B hereto, as such Guidelines may be revised from time to time by representatives from Investment Management and Compliance (the ad hoc "Committee"). ISS will employ these guidelines based on account set up instructions received from Operations. ISS will notify Operations of all proxy proposals that do not fall within the Guidelines (i.e. proposals which are either not addressed in the Guidelines or proposals for which GPIM has indicated that a decision will be made on a case-by-case basis). Such proposals will be forwarded by Operations to the investment team(s) responsible for the client account. If the investment team(s) responsible determines that there is no material conflict of interest, the proposal will be voted in accordance with the recommendation of said team(s).

2. Resolving Potential Conflicts of Interest

GPIM may occasionally be subject to conflicts of interest in the voting of proxies due to relationships it maintains with persons having an interest in the outcome of certain votes. The proxies that are not addressed by the Guidelines or are to be voted on a case-by-case basis will be forwarded to the appropriate investment management team(s) by Operations. Determination of whether there is a material conflict of interest between GPIM and a client due to (a) the provision of services or products by a GPIM affiliate to the company on whose behalf proxies are being solicited, (b) personal relationships that may exist between personnel of GPIM or its affiliates and proponents of a proxy issue or (c) any other issue, shall be made by senior members of the investment team responsible for voting the proxy. If a conflict of interest exists, the investment team will consult the Committee (and Legal, as necessary) to determine how to vote the proxy consistent with the procedures below.

In the absence of established Guidelines (e.g., in instances where the Guidelines provide for a "case-by-case" review), GPIM may vote a proxy regarding that proposal in any of the following manners:

§ Refer Proposal to the Client – GPIM may refer the proposal to the client and obtain instructions from the client on how to vote the proxy relating to that proposal.
§ Obtain Client Ratification – If GPIM is in a position to disclose the conflict to the client (i.e., such information is not confidential), GPIM may determine how it proposes to vote the proposal on which it has a conflict, fully disclose the nature of the conflict to the client, and obtain the client's consent for how GPIM will vote on the proposal (or otherwise obtain instructions from the client on how the proxy on the proposal should be voted).
§ Use an Independent Third Party for All Proposals – Subject to any client imposed proxy voting policies, GPIM may vote all proposals in a proxy according to the policies of an independent third party (or to have the third party vote such proxies).
§ Use an Independent Third Party to Vote the Specific Proposals that Involve a Conflict – Subject to any client imposed proxy voting policies, GPIM may use an independent third party to recommend how the proxy for specific proposals that involve a conflict should be voted (or to have the third party vote such proxies).
§ Abstaining

The method selected by GPIM to resolve the conflict may vary from one instance to another depending upon the facts and circumstances of the situation, but in each case, consistent with its duty of loyalty and care.

3. Special Situations (As Applicable)

3.1. Securities Subject to Lending Arrangements

For various legal or administrative reasons, GPIM is often unable to vote securities that are, at the time of such vote, on loan pursuant to a client's securities lending arrangement with the client's custodian. GPIM will refrain from voting such securities where the cost to the client and/or administrative inconvenience of retrieving securities then on loan outweighs the benefit of voting, assuming retrieval under such circumstances is even feasible and/or possible. In certain extraordinary situations, GPIM may seek to have securities then on loan pursuant to such securities lending arrangements retrieved by the clients' custodians for voting purposes. This decision will generally be made on a case-by-case basis depending on whether, in GPIM's judgment, the matter to be voted on has critical significance to the potential value of the securities in question, the relative cost and/or administrative inconvenience of retrieving the securities, the significance of the holding, and whether the stock is considered a long-term holding. There can be no guarantee that any such securities can be retrieved for such purpose.

3.2 Special Issues with Voting Foreign Proxies

Voting proxies with respect to shares of foreign stocks may involve significantly greater effort and corresponding cost due to the variety of regulatory schemes and corporate practices in foreign countries with respect to proxy voting. Because the cost of voting on a particular proxy proposal could exceed the expected benefit to a client (including an ERISA Plan), GPIM may weigh the costs and benefits of voting on proxy proposals relating to foreign securities and make an informed decision on whether voting a given proxy proposal is prudent.

3.3 Share Blocking

In certain countries the exercise of voting rights could restrict the ability of an account's portfolio manager to freely trade the security in question ("share blocking"). The portfolio manager retains the final authority to determine whether to block the shares in the client's account or to forego voting the shares.

3.4 Lack Of Adequate Information, Untimely Receipt Of Proxy Or Excessive Costs

GPIM may be unable to enter an informed vote in certain circumstances due to the lack of information provided in the proxy statement or by the issuer or other resolution sponsor, and may abstain from voting in those instances. Proxy materials not delivered in a timely manner may prevent analysis or entry of a vote by voting deadlines. GPIM's practice is to abstain from voting a proxy in circumstances where, in its judgment, the costs exceed the expected benefits to the client.

4. Undue Influence

If at any time any person involved in the GPIM's proxy voting process is pressured or lobbied either by GPIM's personnel or affiliates or third parties with respect to a particular proposal, he or she should provide information regarding such activity to GPIM Compliance or Legal. A determination will then be made regarding this information, keeping in mind GPIM's duty of loyalty and care to its clients.

5. Recordkeeping

GPIM is required to keep the following records:

§ a copy of this policy;

§ proxy statements received regarding client securities;
§ records of votes cast on behalf of clients;

- § any documents prepared by GPIM that were material to making a decision how to vote, or that memorialized the basis for the decision; and
- § records of client requests for proxy voting information and a copy of any written response by GPIM to any client request (regardless of whether such client request was written or oral).

The foregoing records will be retained for such period of time as is required to comply with applicable laws and regulations.

GPIM may rely on proxy statements filed on the SEC's EDGAR system instead of keeping its own copies, and may rely on proxy statements and records of proxy votes cast by GPIM that are maintained with a third party, such as ISS, provided that GPIM has obtained an undertaking from the third party to provide a copy of the documents promptly upon request.

6. Disclosure

Rule 206(4)-6 requires GPIM to disclose in response to any client request how the client can obtain information from GPIM on how the client's securities were voted. GPIM will disclose in Form ADV Part 2 that clients can obtain information on how their securities were voted by submitting a written request to GPIM. Upon receipt of a written request from a client, GPIM will provide the information requested by the client within a reasonable amount of time.

Rule 206(4)-6 also requires GPIM to describe its proxy voting policies and procedures to clients, and upon request, to provide clients with a copy of those policies and procedures. GPIM will provide such a description in its Form ADV Part 2. Upon receipt of a written request from a client, GPIM will provide a copy of this policy within a reasonable amount of time.

If approved by the client, this policy and any requested records may be provided electronically.

APPENDIX A*

2014 ISS U.S. PROXY VOTING CONCISE GUIDELINES

* Please note that the more detailed "2014 ISS U.S. Proxy Voting Summary Guidelines" as well as the "2014 ISS International Proxy Voting Summary Guidelines" are available upon request.

APPENDIX B*

2014 TAFT-HARTLEY U.S. PROXY VOTING GUIDELINES

* Please note that what follows is the “Proxy Voting Policy Statement” component of the “Taft-Hartley Advisory Services Proxy Voting Policy Statement and Guidelines”. Detailed guidelines are available upon request.

PART C
OTHER INFORMATION

Item 25. Financial Statements And Exhibits

(1) Financial Statements

Incorporated by reference into Part B of the Registration Statement, as described in the Statement of Additional Information, are the Registrant's audited financial statements, notes to such financial statements and the report of independent registered public accounting firm thereon, by reference to the Registrant's Annual Report for the period ended May 31, 2014, as contained in the Registrant's Form N-CSR/A filed with the Securities and Exchange Commission (the "Commission") on August 8, 2014.

(2) Exhibits

(a) (i) Amended and Restated Agreement and Declaration of Trust of Registrant(1)

(ii) Amendment to the Amended and Restated Agreement and Declaration of Trust of Registrant(1)

(b) Amended and Restated By-Laws of Registrant(1)

(c) Not applicable

(d) Not applicable

(e) Dividend Reinvestment Plan of Registrant(2)

(f) Not applicable

(g) (i) Investment Advisory Agreement between Registrant and Guggenheim Funds Investment Advisors, LLC (the "Investment Adviser")(3)

(ii) Investment Sub-Advisory Agreement among Registrant, the Investment Adviser and Guggenheim Partners Investment Management, LLC (the "Sub-Adviser")(3)

(h) Form of Underwriting Agreement/Sales Agreement++

(i) Not applicable

(j) (i) Custody Agreement(3)

(ii) Foreign Custody Manager Agreement(3)

(k) (i) Transfer Agency Agreement(3)

(ii) Fund Accounting Agreement(3)

(iii) Administration Agreement(3)

(iv) Offering Expense Limitation Agreement(3)

(v) Committed Facility Agreement between Registrant and BNP Prime Brokerage, Inc. ("BNP")(3)

(vi) Account Agreement between Registrant and BNP(3)

(vii) Special Custody and Pledge Agreeement among Registrant, BNP and the Custodian(3)

(l) Opinion and Consent of Skadden, Arps, Slate, Meagher & Flom LLP*

(m) Not applicable

(n) Consent of Independent Registered Public Accounting Firm*

(o) Not applicable

(p) Subscription Agreement(3)

(q) Not applicable

(r) (i) Code of Ethics of the Registrant and the Investment Adviser(3)

(ii) Code of Ethics of the Sub-Adviser(3)

(s) Power of Attorney(3)

(z) Form of Prospectus Supplement*

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* Filed herewith.

++ To be filed by post-effective amendment.

(1) Incorporated herein by reference to Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form N-2 (File Nos. 333-182157 and 811-22715), filed with the Securities and Exchange Commission on March 11, 2013.

(2) Incorporated herein by reference to Pre-Effective Amendment No. 5 to the Registrant's Registration Statement on Form N-2 (File Nos. 333-182157 and 811-22715), filed with the Securities and Exchange Commission on June 24, 2013.

(3) Incorporated herein by reference to the Registrant's Registration Statement on Form N-2 (File Nos. 333-198646 and 811-22715), filed with the Securities and Exchange Commission on September 8, 2014.

Item 26. Marketing Arrangements

Reference is made to Exhibit (h) to this Registration Statement to be filed by further amendment.

Item 27. Other Expenses of Issuance and Distribution

The following table sets forth the estimated expenses to be incurred in connection with the offering described in this Registration Statement:

NYSE Listing Fees	$14,000
SEC Registration Fees	$12,880
Printing/Engraving Expenses	$50,000
Independent Registered Public Accounting Firm Fees	$50,000
Legal Fees	$200,000
FINRA Fees	$15,500
Miscellaneous	$15,000

Total	$357,380

Item 28. Persons Controlled by or Under Common Control with Registrant

None

Item 29. Number of Holders of Securities

Title of Class	Number of Record Shareholders as of August 31, 2014
	2

Item 30. Indemnification

Article V of the Registrant's Amended and Restated Agreement and Declaration of the Registrant provides as follows:

5.1 No Personal Liability of Shareholders, Trustees, etc. No Shareholder of the Trust shall be subject in such capacity to any personal liability whatsoever to any Person in connection with Trust Property or the acts, obligations or affairs of the Trust. Shareholders shall have the same limitation of personal liability as is extended to stockholders of a private corporation for profit incorporated under the Delaware General Corporation Law. No Trustee or officer of the Trust shall be subject in such capacity to any personal liability whatsoever to any Person, save only liability to the Trust or its Shareholders arising from bad faith, willful misfeasance, gross negligence or reckless disregard for his duty to such Person; and, subject to the foregoing exception, all such Persons shall look solely to the Trust Property for satisfaction of claims of any nature arising in connection with the affairs of the Trust. If any Shareholder, Trustee or officer, as such, of the Trust, is made a party to any suit or proceeding to enforce any such liability, subject to the foregoing exception, he shall not, on account thereof, be held to any personal liability. Any repeal or modification of this Section 5.1 shall not adversely affect any right or protection of a Trustee or officer of the Trust existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

5.2 Mandatory Indemnification.

(a) The Trust hereby agrees to indemnify each person who at any time serves as a Trustee or officer of the Trust (each such person being an "indemnitee") against any liabilities and expenses, including amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and reasonable counsel fees reasonably incurred by such indemnitee in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, before any court or administrative or investigative body in which he may be or may have been involved as a party or otherwise or with which he may be or may have been threatened, while acting in any capacity set forth in this Article V by reason of his having acted in any such capacity, except with respect to any matter as to which he shall not have acted in good faith in the reasonable belief that his action was in the best interest of the Trust or, in the case of any criminal proceeding, as to which he shall have had reasonable cause to believe that the conduct was unlawful, provided, however, that no indemnitee shall be indemnified hereunder against any liability to any person or any expense of such indemnitee arising by reason of (i) willful misfeasance, (ii) bad faith, (iii) gross negligence, or (iv) reckless disregard of the duties involved in the conduct of his position (the conduct referred to in such clauses (i) through (iv) being sometimes referred to herein as "disabling conduct"). Notwithstanding the foregoing, with respect to any action, suit or other proceeding voluntarily prosecuted by any indemnitee as plaintiff, indemnification shall be mandatory only if the prosecution of such action, suit or other proceeding by such indemnitee (1) was authorized by a majority of the Trustees or (2) was instituted by the indemnitee to enforce his or her rights to indemnification hereunder in a case in which the indemnitee is found to be entitled to such indemnification. The rights to indemnification set forth in this Declaration shall continue as to a person who has ceased to be a Trustee or officer of the Trust and shall inure to the benefit of his or her heirs, executors and personal and legal representatives. No amendment or restatement of this Declaration or repeal of any of its provisions shall limit or eliminate any of the benefits provided to any person who at any time is or was a Trustee or officer of the Trust or otherwise entitled to indemnification hereunder in respect of any act or omission that occurred prior to such amendment, restatement or repeal.

(b) Notwithstanding the foregoing, no indemnification shall be made hereunder unless there has been a determination (i) by a final decision on the merits by a court or other body of competent jurisdiction before whom the issue of entitlement to indemnification hereunder was brought that such indemnitee is entitled to indemnification hereunder or, (ii) in the absence of such a decision, by (1) a majority vote of a quorum of those Trustees who are neither "interested persons" of the Trust (as defined in Section 2(a)(19) of the 1940 Act) nor parties to the proceeding ("Disinterested Non-Party Trustees"), that the indemnitee is entitled to indemnification hereunder, or (2) if such quorum is not obtainable or even if obtainable, if such majority so directs, independent legal counsel in a

written opinion concludes that the indemnitee should be entitled to indemnification hereunder. All determinations to make advance payments in connection with the expense of defending any proceeding shall be authorized and made in accordance with the immediately succeeding paragraph (c) below.

(c) The Trust shall make advance payments in connection with the expenses of defending any action with respect to which indemnification might be sought hereunder if the Trust receives a written affirmation by the indemnitee of the indemnitee's good faith belief that the standards of conduct necessary for indemnification have been met and a written undertaking to reimburse the Trust unless it is subsequently determined that the indemnitee is entitled to such indemnification and if a majority of the Trustees determine that the applicable standards of conduct necessary for indemnification appear to have been met. In addition, at least one of the following conditions must be met: (i) the indemnitee shall provide adequate security for his undertaking, (ii) the Trust shall be insured against losses arising by reason of any lawful advances, or (iii) a majority of a quorum of the Disinterested Non-Party Trustees, or if a majority vote of such quorum so direct, independent legal counsel in a written opinion, shall conclude, based on a review of readily available facts (as opposed to a full trial-type inquiry), that there is substantial reason to believe that the indemnitee ultimately will be found entitled to indemnification.

(d) The rights accruing to any indemnitee under these provisions shall not exclude any other right which any person may have or hereafter acquire under this Declaration, the By-Laws of the Trust, any statute, agreement, vote of stockholders or Trustees who are "disinterested persons" (as defined in Section 2(a)(19) of the 1940 Act) or any other right to which he or she may be lawfully entitled. For the avoidance of doubt, to the extent the Trust enters into a written agreement with any Trustee to indemnify such Trustee, any indemnification of such Trustee by the Trust shall be governed by the terms of such written agreement, including with respect to determinations required, applicable presumptions and burden of proof with respect to such Trustee's entitlement to indemnification and/or advancement of expenses.

(e) Subject to any limitations provided by the 1940 Act and this Declaration, the Trust shall have the power and authority to indemnify and provide for the advance payment of expenses to employees, agents and other Persons providing services to the Trust or serving in any capacity at the request of the Trust to the full extent corporations organized under the Delaware General Corporation Law may indemnify or provide for the advance payment of expenses for such Persons, provided that such indemnification has been approved by a majority of the Trustees.

5.3 No Bond Required of Trustees. No Trustee shall, as such, be obligated to give any bond or other security for the performance of any of his duties hereunder.

5.4 No Duty of Investigation; Notice in Trust Instruments, etc. No purchaser, lender, transfer agent or other person dealing with the Trustees or with any officer, employee or agent of the Trust shall be bound to make any inquiry concerning the validity of any transaction purporting to be made by the Trustees or by said officer, employee or agent or be liable for the application of money or property paid, loaned, or delivered to or on the order of the Trustees or of said officer, employee or agent. Every obligation, contract, undertaking, instrument, certificate, Share, other security of the Trust, and every other act or thing whatsoever executed in connection with the Trust shall be conclusively taken to have been executed or done by the executors thereof only in their capacity as Trustees under this Declaration or in their capacity as officers, employees or agents of the Trust. The Trustees may maintain insurance for the protection of the Trust Property, its Shareholders, Trustees, officers, employees and agents in such amount as the Trustees shall deem adequate to cover possible tort liability, and such other insurance as the Trustees in their sole judgment shall deem advisable or is required by the 1940 Act.

5.5 Reliance on Experts, etc. Each Trustee and officer or employee of the Trust shall, in the performance of its duties, be fully and completely justified and protected with regard to any act or any failure to act resulting from reliance in good faith upon the books of account or other records of the Trust, upon an opinion of counsel, or upon reports made

to the Trust by any of the Trust's officers or employees or by any advisor, administrator, manager, distributor, selected dealer, accountant, appraiser or other expert or consultant selected with reasonable care by the Trustees, officers or employees of the Trust, regardless of whether such counsel or expert may also be a Trustee.

In addition, the Registrant has entered into an Indemnification Agreement with each trustee who is not an "interested person," as defined in the Investment Company Act of 1940, as amended, of the Registrant, which provides as follows:

The Fund shall indemnify and hold harmless the Trustee against any and all Expenses actually and reasonably incurred by the Trustee in any Proceeding arising out of or in connection with the Trustee's service to the Fund, to the fullest extent permitted by the Fund Agreement and By-Laws and the laws of the State of Delaware, the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended, as now or hereafter in force, subject to the provisions of the following sentence and the provisions of paragraph (b) of Section 4 of this Agreement. The Trustee shall be indemnified pursuant to this Section I against any and all of such Expenses unless (i) the Trustee is subject to such Expenses by reason of the Trustee's not having acted in good faith in the reasonable belief that his or her action was in the best interests of the Fund or (ii) the Trustee is liable to the Fund or its shareholders by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of his or her office, as defined in Section 17(h) of the Investment Company Act of 1940, as amended, and with respect to each of (i) and (ii), there has been a final adjudication in a decision on the merits in the relevant Proceeding that the Trustee's conduct fell within (i) or (ii).

Item 31. Business and Other Connections of the Investment Adviser and the Sub-Adviser

The Investment Adviser, a limited liability company organized under the laws of Delaware, acts as investment adviser to the Registrant. The Registrant is fulfilling the requirement of this Item 31 to provide a list of the officers and directors of the Investment Adviser, together with information as to any other business, profession, vocation or employment of a substantial nature engaged in by the Investment Adviser or those officers and directors during the past two years, by incorporating by reference the information contained in the Form ADV of the Investment Adviser filed with the commission pursuant to the Investment Advisers Act of 1940 (Commission File No. 801-62515).

The Sub-Adviser, a limited liability company organized under the laws of Delaware, acts as investment sub-adviser to the Registrant. The Registrant is fulfilling the requirement of this Item 31 to provide a list of the officers and directors of the Sub-Adviser, together with information as to any other business, profession, vocation or employment of a substantial nature engaged in by the Sub-Adviser or those officers and directors during the past two years, by incorporating by reference the information contained in the Form ADV of the Sub-Adviser filed with the commission pursuant to the Investment Advisers Act of 1940 (Commission File No. 801-66786).

Item 32. Location of Accounts and Records

The accounts and records of the Registrant are maintained in part at the offices of the Fund at 227 West Monroe Street, Chicago, IL 60606, in part at the offices of the Investment Adviser at 227 West Monroe Street, Chicago, IL 60606, in part at the offices of the Sub-Adviser at 100 Wilshire Boulevard, 5th Floor, Santa Monica, California 90401 and in part at the offices of the Custodian at One Wall Street, New York, NY 10286, and in part at the offices of the Transfer Agent and Dividend Disbursing Agent at P.O. Box 30170, College Station, TX 77842-3170.

Item 33. Management Services

Not applicable.

Item 34. Undertakings

1. Registrant undertakes to suspend the offering of Common Shares until the prospectus is amended, if subsequent to the effective date of this registration statement, its net asset value declines more than ten percent from its net asset value, as of the effective date of the registration statement or its net asset value increases to an amount greater than

its net proceeds as stated in the prospectus.

2. Not applicable.

3. Not applicable.

4. Registrant undertakes:

(a) to file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(1) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(2) to reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; and

(3) to include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(b) that, for the purpose of determining any liability under the 1933 Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of those securities at that time shall be deemed to be the initial bona fide offering thereof; and

(c) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering;

(d) that, for the purpose of determining liability under the 1933 Act to any purchaser, if the Registrant is subject to Rule 430C: Each prospectus filed pursuant to Rule 497(b), (c), (d) or (e) under the 1933 Act as part of a registration statement relating to an offering, other than prospectues filed in reliance on Rule 430A under the 1933 Act, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supercede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

(e) that for the purpose of determining liability of the Registrant under the 1933 Act to any purchaser in the initial distribution of securities: The undersigned Registrant undertakes that in a primary offering of securities of the undersigned Registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to the purchaser:

(1) any preliminary prospectus or prospectus of the undersigned Registrant relating to the offering required to be filed pursuant to Rule 497 under the 1933 Act;

(2) the portion of any advertisement pursuant to Rule 482 under the 1933 Act relating to the offering containing material information about the undersigned Registrant or its securities provided by or on behalf of the undersigned Registrant; and

(3) any other communication that is an offer in the offering made by the undersigned Registrant to the purchaser.

5. Registrant undertakes that:

(a)

for the purpose of determining any liability under the 1933 Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant under Rule 497(h) under the 1933 Act

shall be deemed to be part of this registration statement as of the time it was declared effective; and

(b) for the purpose of determining any liability under the 1933 Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of the securities at that time shall be deemed to be the initial bona fide offering thereof.

6. Registrant undertakes to send by first class mail or other means designed to ensure equally prompt delivery, within two business days of receipt of a written or oral request, any Statement of Additional Information.

SIGNATURES

As required by the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended, this Registration Statement has been signed on behalf of the Registrant, in the City of Chicago, State of Illinois, on the 14th day of November, 2014.

By: /s/ Donald C. Cacciapaglia
Donald C. Cacciapaglia
Trustee and Chief Executive Officer

As required by the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities set forth below on the 14th day of November, 2014.

Principal Executive Officer: /s/ Donald C. Cacciapaglia Donald C. Cacciapaglia	Trustee and Chief Executive Officer
Principal Financial Officer: /s/ John L. Sullivan John L. Sullivan	Chief Financial Officer, Chief Accounting Officer and Treasurer
Trustees:	
* Randall C. Barnes	Trustee
* Donald A. Chubb	Trustee
* Jerry B. Farley	Trustee
* Roman Friedrich III	Trustee
* Robert B. Karn III	Trustee
* Ronald A. Nyberg	Trustee
* Maynard F. Oliverius	Trustee
* Ronald E. Toupin Jr.	Trustee

* Signed by Mark E. Mathiasen pursuant to a power of attorney filed herewith.

By: /s/ Mark E. Mathiasen
Mark E. Mathiasen
Attorney-In-Fact

November 14 , 2014

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Exhibit Index

(l) Opinion and Consent of Skadden, Arps, Slate, Meagher & Flom LLP

(n) Consent of Independent Registered Public Accounting Firm

(z) Form of Prospectus Supplement

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