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Salient MLP & Energy Infrastructure Fund
Form N-2
March 07, 2011

As filed with the Securities and Exchange Commission on March 7, 2011

1933 Act File No. •
1940 Act File No. 811-22530

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

Form N-2
b REGISTRATION STATEMENT UNDER THE SECURITIES
ACT OF 1933
o PRE-EFFECTIVE AMENDMENT NO.
o POST-EFFECTIVE AMENDMENT NO.
and/or
b REGISTRATION STATEMENT UNDER THE INVESTMENT
COMPANY ACT OF 1940
o AMENDMENT NO.

Salient MLP and Energy Infrastructure Fund
(Exact Name of Registrant as Specified in Charter)

4265 San Felipe, Suite 800
Houston, Texas 77027
(Address of Principal Executive Offices)

Registrant's Telephone Number, including Area Code: (713) 993-4675

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Approximate Date of Proposed Public Offering: As soon as practicable after the effective date of this Registration Statement.

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

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It is proposed that this filing will become effective (check appropriate box): when declared effective pursuant to section 8(c).

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Shares of Beneficial Interest, \$0.01 par value per share	40,000	\$25.00	\$1,000,000	\$116.10

(1) Estimated pursuant to Rule 457(o) solely for the purpose of determining the registration fee.

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 Registrant Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this 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 prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PRELIMINARY PROSPECTUS SUBJECT TO COMPLETION DATED MARCH 7, 2011

• SHARES

SALIENT MLP AND ENERGY INFRASTRUCTURE FUND

COMMON SHARES

\$• per share

The Fund and Our Investment Objective. Salient MLP and Energy Infrastructure Fund (the "Fund," "we," "us," or "our") is a newly-organized, non-diversified, closed-end management investment company. Our investment objective is to provide a high level of total return with an emphasis on making quarterly cash distributions ("Distributions") to our shareholders. There can be no assurance that the Fund will achieve its investment objective. We seek to provide our shareholders with a tax-efficient vehicle to invest in a portfolio of energy infrastructure companies that own midstream and other energy assets. Capitalized terms, not otherwise defined herein, have the meanings ascribed to them in the Glossary of Key Terms on page ii of this prospectus.

Investment Strategies. We seek to achieve our investment objective by investing at least 80% of our total assets in securities of companies in the Midstream/Energy Sector, consisting of: (a) Midstream MLPs, (b) Midstream Companies, (c) Other MLPs and (d) Other Energy Companies. We anticipate that the majority of our investments will consist of investments in Midstream MLPs and Midstream Companies.

Tax Matters. We intend to elect to be treated for federal income tax purposes as a regulated investment company, or RIC. As a RIC, we generally will not be required to pay federal income taxes on any ordinary income or capital gains that we receive from our portfolio investments and distribute to our shareholders as dividends. See "Tax Matters."

Investment Adviser. We are managed by Salient Capital Advisors, LLC, a Texas limited liability company ("SCA"), which with its affiliates is a leading investment adviser to other management investment companies and closed-end funds. As of •, 2011, SCA and its affiliates managed assets of approximately \$17.5 billion, including \$250 million in the Midstream/Energy Sector and over \$300 million in Energy Companies.

No Prior Trading History. Because the Fund is newly organized, its common shares have no history of public trading. The shares of closed-end investment companies frequently trade at a discount from their net asset value, which may increase investor risk of loss. This risk may be greater for investors expecting to sell their shares in a relatively short period after completion of the initial public offering.

(continued on next page)

The Fund's common shares have been approved for listing on the • (the "•"), subject to notice of issuance, under the trading or "ticker" symbol "•".

Investing in the Fund's common shares involves certain risks. You could lose some or all of your investment. See "Risk Factors" beginning on page • of this prospectus.

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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	Total(1)
Public offering price	\$.	
Sales load(2)	\$.	
Proceeds, after expenses, to the Fund(3)	\$.	

(1) The Fund has granted the underwriters an option to purchase up to • additional shares at the public offering price, less the sales load, within 45 days from the date of this prospectus solely to cover overallocments, if any. If such option is exercised in full, the total public offering price, sales load and proceeds, after expenses, to the Fund will be approximately \$ •, \$ • and \$ •, respectively. See "Underwriting."

(2) SCA, the adviser to the Fund, has agreed to pay from its own assets an upfront fee to each of [Underwriters]. These fees are not reflected under sales load in the table above. See "Underwriting."

(3) Total offering expenses to be paid by the Fund (other than the sales load) are estimated to be approximately \$ •, which represents \$0.• per share, which will reduce the "Proceeds, after expenses, to the Fund" SCA has agreed to pay all organizational expenses and the amount by which the aggregate of all our offering costs (other than sales load) exceeds \$0.• per share.

The underwriters expect to deliver the shares to purchasers on or about •, 2011.

Stifel Nicolaus Weisel

RBC Capital Markets

Morgan Keegan

Oppenheimer & Co.

Baird

Prospectus dated •, 2011

Distributions. We intend to pay Distributions to our shareholders out of legally available funds. Our Distributions, if any, will be determined by our Board of Trustees (the "Board"). We expect to declare our initial Distribution within 90 days following the completion of this offering and pay such initial Distribution no later than •, 2011. There is no assurance we will continue to pay regular Distributions or that we will do so at a particular rate. See "Distributions" and "Tax Matters."

Leverage. We generally will seek to enhance our total returns through the use of financial leverage, which may include the issuance of debt and preferred shares (each a "Leverage Instrument" and collectively "Leverage Instruments"). Under normal market conditions, our policy is to utilize Leverage Instruments in an amount that represents approximately 25% of our total assets, including proceeds from such Leverage Instruments. However, based on market conditions at the time, we may use Leverage Instruments in amounts that represent greater than 25% leverage to the extent permitted by the Investment Company Act of 1940, as amended. There is no assurance that we will utilize financial leverage or, if financial leverage is utilized, that it will be successful in enhancing the level of our total return. We do not intend to use financial leverage until the proceeds of this offering are substantially invested in accordance with our investment objective. We currently anticipate that we will be able to invest the net proceeds of this offering in accordance with our investment objective within three to six months after the completion of this offering, and we may thereafter use financial leverage. See "Use of Leverage—Effects of Leverage," "Risk Factors—Risks Related to Our Business and Structure—Use of Leverage," and "Description of Common Shares."

You should read this prospectus, which contains important information about the Fund that you should know before deciding whether to invest, and retain it for future reference. A Statement of Additional Information, dated •, 2011, as it may be amended (the "SAI"), containing additional information about the Fund, has been filed with the Securities and Exchange Commission (the "SEC") and is incorporated by reference in its entirety into this prospectus. You may request a free copy of the SAI (the table of contents of which is on page • of this prospectus), annual and semi-annual reports to shareholders (when available), and additional information about the Fund by calling toll-free at •, or by writing to the Fund at 4265 San Felipe, Suite 800, Houston, Texas 77027 or visiting the Fund's website (www. •). The information contained in, or accessed through, the Fund's website is not part of this prospectus. You may also obtain a copy of the SAI (and other information regarding the Fund) from the SEC's Public Reference Room in Washington, D.C. Information relating to the Public Reference Room may be obtained by calling the SEC at (202) 551-8090. Such materials, as well as the Fund's annual and semi-annual reports (when available) and other information regarding the Fund, are also available on the SEC's website (www.sec.gov). You may also e-mail requests for these documents to publicinfo@sec.gov or make a request in writing to the SEC's Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549-0112.

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

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction where the offer or sale is not permitted or where the person making the offer or sale is not qualified to do so or to any person to whom it is not permitted to make such offer or sale. The information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date. We will advise investors of any material changes to the extent required by applicable law.

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GLOSSARY OF KEY TERMS

This glossary contains definitions of certain key terms, as they are used in our investment objective and policies and as described in this prospectus. These definitions may not correspond to standard sector definitions.

"Canadian Income Trust" means a qualified income trust designated by the Canada Revenue Agency that derives income and gains from the exploration, development, mining or production, processing, refining, transportation (including pipeline transporting gas, oil, or products thereof), or the marketing of any mineral or natural resources.

"Energy Assets" means assets that are used in the energy sector, including assets used in exploring, developing, producing, generating, transporting, transmitting, storing, gathering, processing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined products, coal or electricity.

"Energy Companies" means companies that own and operate Energy Assets or provide energy-related services. For purposes of this definition, this includes companies that (i) derive at least 50% of their revenues or operating income from operating Energy Assets or providing services for the operation of such Energy Assets or (ii) have Energy Assets that represent the majority of their assets.

"General Partner MLPs" means Master Limited Partnerships whose assets consist of ownership interests of an affiliated Master Limited Partnership (which may include general partner interests, incentive distribution rights, common units and subordinated units).

"Master Limited Partnerships" means limited partnerships and limited liability companies that are publicly traded and are treated as partnerships for federal income tax purposes.

"Midstream Assets" means assets used in energy logistics, including, but not limited to, assets used in transporting, storing, gathering, processing, distributing or marketing of natural gas, natural gas liquids, crude oil or refined products.

"Midstream Companies" means companies, other than Midstream MLPs, that own and operate Midstream Assets. Such companies are not structured as Master Limited Partnerships and are taxed as corporations. For purposes of this definition, this includes companies that (i) derive at least 50% of their revenues or operating income from operating Midstream Assets or (ii) have Midstream Assets that represent the majority of their assets.

"Midstream/Energy Sector" consists of (a) Midstream MLPs, (b) Midstream Companies, (c) Other MLPs and (d) Other Energy Companies.

"Midstream MLPs" means MLPs that principally own and operate Midstream Assets. Midstream MLPs also include (a) MLPs that provide transportation and distribution services of energy related products through the ownership of marine transportation vessels, (b) General Partner MLPs whose assets consist of ownership interests of an affiliated Midstream MLP and (c) MLP Affiliates of Midstream MLPs.

"Midstream Sector" consists of (a) Midstream MLPs and (b) Midstream Companies.

"MLPs" means entities that are structured as Master Limited Partnerships and their affiliates and includes Midstream MLPs, Other MLPs and MLP Affiliates.

"MLP Affiliates" means affiliates of Master Limited Partnerships substantially all of whose assets consist of units or ownership interests of an affiliated Master Limited Partnership (which may include general partner interests, incentive

distribution rights, common units and subordinated units) and are structured as C Corporations. MLP Affiliates are not treated as partnerships for federal income tax purposes.

"Other Energy Companies" means Energy Companies, excluding MLPs and Midstream Companies.

"Other MLPs" consist of (a) upstream MLPs, (b) coal MLPs, (c) propane MLPs and (d) MLPs that operate other Energy Assets or provide energy-related services other than Midstream MLPs.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in our common shares. You should carefully read the entire prospectus, including the documents incorporated by reference into it, particularly the section entitled "Risk Factors" beginning on page i, and our Statement of Additional Information. Except where the context suggests otherwise, the terms the "Fund," "we," "us," and "our" refer to Salient MLP and Energy Infrastructure Fund; and "SCA" or the "Adviser" refers to Salient Capital Advisors, LLC, a Texas limited liability company; "Salient" collectively refers to SCA and its other affiliates, including SCA's manager, Salient Capital Management, LLC, a Delaware limited liability company ("SCM"), and SCA's parent company, Salient Partners, L.P., a Delaware limited partnership ("SPLP"). The common shares of beneficial interest offered pursuant to this prospectus are referred to herein as "common shares." Unless otherwise defined herein, the Glossary of Key Terms on page ii herein provides the definitions of certain key terms used in this prospectus. Unless otherwise indicated, this prospectus assumes that the underwriters' over-allotment option will not be exercised.

THE FUND

Salient MLP and Energy Infrastructure Fund is a newly organized Delaware statutory trust registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act").

INVESTMENT OBJECTIVE

Our investment objective is to provide a high level of total return with an emphasis on making quarterly cash distributions ("Distributions") to our shareholders. We seek to achieve that objective by investing at least 80% of our total assets in securities of companies in the Midstream/Energy Sector. We expect that the majority of our portfolio investments will be in securities of Midstream MLPs and Midstream Companies. There can be no assurance that we will achieve our investment objective. See "Investment Objective and Policies."

OUR INVESTMENT ADVISER

SCA is our investment adviser, responsible for implementing and administering our investment strategy. SCA is a wholly-owned subsidiary of SPLP, and SCA is a SEC-registered investment adviser. As of , SCA and its affiliates managed assets of approximately \$17.5 billion, including \$· in the Midstream/Energy Sector (of which \$· was invested in Midstream MLPs and Midstream Companies).

Salient and its principals have invested in Midstream MLPs and Midstream Companies since 1995, and Salient has developed an understanding of the North American energy markets that we believe enables it to identify and take advantage of attractive investment opportunities in the Midstream/Energy Sector. In addition, Salient's senior professionals

have many long-term relationships with industry managers, which we believe gives Salient an important advantage in making portfolio management decisions and sourcing and structuring private investments.

Pursuant to our investment management agreement, we have agreed to pay SCA, as compensation for the services rendered by it, a management fee equal on an annual basis to 1.20% of our average monthly total assets, computed and paid monthly. During the first 24 months of our investment activities following the completion of this offering, SCA has contractually agreed to waive or reimburse us for management fees in an amount equal on an annual basis to 0.20% of our average monthly total assets. See "Management—Investment Adviser."

INVESTMENT POLICIES

Under normal market conditions:

Ø

We will invest at least 80% of our total assets in securities of companies in the Midstream/Energy Sector.

1

- Ø We will invest in equity securities such as common units, preferred units, subordinated units, general partner interests, common shares, preferred shares and convertible securities in MLPs, Midstream Companies and Other Energy Companies.
- Ø We may directly invest up to but not more than 25% (or such higher amount as permitted by any applicable tax diversification rules) of our total assets in equity or debt securities of Master Limited Partnerships. This limit does not apply to securities issued by MLP Affiliates, which are not treated as publicly traded partnerships for federal income tax purposes, or investments made into MLPs by any subsidiary corporation taxable under Subchapter C of the Internal Revenue Code of 1986, as amended (the "Code"), owned by us ("subsidiary C corporation").
- Ø We may invest up to but not more than 25% of our total assets into subsidiary C corporations which in turn may invest up to 100% of their assets into equity or debt securities of Master Limited Partnerships.
- Ø We will invest at least 50% of our total assets in securities of Midstream MLPs and Midstream Companies.
- Ø We may invest up to but not more than 50% of our total assets in securities of Other MLPs.
- Ø We may invest up to but not more than 50% of our total assets in unregistered or otherwise restricted securities of companies in the Midstream/Energy Sector. For purposes of this limitation, "restricted securities" include (i) registered securities of public companies subject to a lock-up period, (ii) unregistered securities of public companies with registration rights, (iii) unregistered securities of public companies that become freely tradable with the passage of time, or (iv) securities of privately held companies. However, no more than 10% of our total assets may be invested in equity securities of privately held companies. For purposes of the foregoing, a registered security subject to such a lock-up period will no longer be considered a "restricted security" upon expiration of the lock-up period, an unregistered security of a public company with registration rights will no longer be considered a "restricted security" when such securities become registered, and an unregistered security of a public company that becomes freely tradable with the passage of time will no longer be considered a "restricted security" upon the elapse of the requisite time period.
- Ø We may invest up to but not more than 25% of our total assets in debt securities of Energy Companies. Up to but not more than 15% of our total assets may be invested in unrated debt securities. The balance of such debt investments may be invested in securities which are rated, at the time of investment, at least · (or an equivalent rating) by a nationally recognized ratings agency at the time of investment. For the purposes of determining if an investment satisfies this test, we will look to the highest credit rating on such debt investment.
- Ø We may invest up to but not more than 10% of our total assets in any single issuer other than any subsidiary C corporation owned by us.
- Ø We may utilize financial leverage, which may include bank debt and other forms of borrowings and which also may include the issuance of debt and preferred shares (each a "Leverage Instrument" and collectively, "Leverage Instruments") and expect to utilize Leverage Instruments in an amount that represents approximately 25% of our total assets. However, based on market conditions at the time, we may use

Leverage Instruments in amounts that represent greater than 25% of our total assets to the extent permitted by the 1940 Act. See "Use of Financial Leverage," below.

The percentage limitations applicable to our portfolio described above apply only at the time of investment, and we will not be required to sell securities due to subsequent changes in the value of securities we own. However, although we may not be required to sell securities due to subsequent changes in value, if such changes cause us to have invested less than 80% of our total assets in securities of companies in the Midstream/Energy Sector, we will be required to make future purchases of securities in a manner so as to bring us into compliance with this investment policy. We will invest primarily in companies located in North America, but may invest in companies located anywhere in the world. We will invest in companies of any market capitalization.

USE OF FINANCIAL LEVERAGE

As noted above, we generally will seek to enhance our total returns through the use of financial leverage, which may include the issuance of Leverage Instruments. Under normal market conditions, our policy is to utilize Leverage Instruments in an amount that represents approximately 25% of our total assets. However, based on market conditions at the time, we may use Leverage Instruments in amounts that represent greater than 25% of our total assets to the extent permitted by the 1940 Act. We may not be leveraged at all times and the amount of leverage, if any, may vary depending on a variety of factors, including the costs that we would incur as a result of leverage, market conditions and available investment opportunities. Leverage creates a greater risk of loss, as well as potential for more gain, for our common shares than if leverage is not used. Leverage Instruments will have seniority over our common shares. We do not intend to use Leverage Instruments until the proceeds of this offering are substantially invested in accordance with our investment objectives. See "Use of Leverage."

Because our Adviser's management fee is based upon a percentage of our total assets, our Adviser's fee will be higher if we employ leverage. Therefore, our Adviser will have a financial incentive to use leverage, which may create a conflict of interest between our Adviser and our common shareholders.

There can be no assurance that a leveraging strategy will be used or that it will be successful during any period in which it is used. The use of leverage involves significant risks. See "Risk Factors—Risks Related to Our Business and Structure—Use of Leverage."

DERIVATIVES AND OTHER STRATEGIES

We currently expect to utilize hedging techniques such as interest rate swaps to mitigate potential interest rate risk on a portion of our Leverage Instruments. Such interest rate swaps would principally be used to protect us against higher costs on our Leverage Instruments resulting from increases in both short-term and long-term interest rates. We anticipate that the majority of our interest rate hedges will be interest rate swap contracts with financial institutions.

We may use short sales, arbitrage and other strategies to try to generate additional return and protect the downside risk of the portfolio. As part of such strategies, we may (i) engage in paired long-short trades to arbitrage pricing disparities in securities held in our portfolio; (ii) purchase call options or put options; (iii) enter into total return swap contracts; or (iv) sell securities short. Paired trading consists of taking a long position in one security and concurrently taking a short position in another security within the same or an affiliated issuer. With a long position, we purchase a stock outright; whereas with a short position, we would sell a security that we do not own and must borrow to meet our settlement obligations. We will realize a profit or incur a loss from a short position depending on whether the value of the underlying stock decreases or increases, respectively, between the time the stock is sold and when we replace the borrowed security. See "Risk Factors—Risks Related to Our Investments and Investment Techniques—Short Sales Risk." We do not intend to have a net short position that exceeds 30% of our total assets. A total return swap is a contract between two parties designed to replicate the economics of directly owning or shorting a security. We may enter into total return swaps with financial institutions related to equity investments in certain Master Limited Partnerships and Canadian Income Trusts.

We also may use various hedging and other risk management strategies to seek to manage various risks including market, credit and tail risks. Such hedging strategies would be utilized to seek to protect the value of our portfolio, for example, against possible adverse changes in the market value of securities held in our portfolio. We may execute our hedging and risk management strategy by engaging in a variety of transactions, including buying or

selling options or futures contracts on indexes and entering into total return swap contracts. See "Risk Factors—Risks Related to Our Investments and Investment Techniques—Derivatives Risk."

To a lesser extent, we currently expect to write call options for the purpose of generating additional income and realized gains or reducing our ownership of certain securities. We will only write call options on securities that we hold in our portfolio (i.e., covered calls). A call option on a security is a contract that gives the holder of such call option the right to buy the security underlying the call option from the writer of such call option at a specified price at any time during the term of the option. At the time the call option is sold, the writer of a call option receives a premium (or call premium) from the buyer of such call option. If we write a call option on a security, we have the

obligation upon exercise of such call option to deliver the underlying security upon payment of the exercise price. When we write a call option, an amount equal to the premium received by us will be recorded as a liability and will be subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by us as realized gains from investments on the expiration date. If we repurchase a written call option prior to its exercise, the difference between the premium received and the amount paid to repurchase the option is treated as a realized gain or realized loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether we have realized a gain or loss. We, as the writer of the option, bear the market risk of an unfavorable change in the price of the security underlying the written option.

CHARACTERISTICS OF THE MIDSTREAM SECTOR

For the reasons discussed below, we believe that the returns for securities issued by companies in the Midstream Sector have the potential to be more attractive on a risk-adjusted basis than investments in other industries.

- Ø Stable cash flows. Our investments will be focused on companies that have relatively stable cash flows. In particular, we believe that a substantial portion of the revenues generated by Midstream MLPs and Midstream Companies are derived from customer contracts that are fee-based and have limited commodity price risk. In addition, the fees or tariffs that many Midstream MLPs and Midstream Companies charge their customers are often regulated at the federal or state level, and are often subject to escalation based on the rate of inflation.
- Ø MLPs have a track record of distribution stability and distribution growth. As of January 31, 2011, MLPs provided an average annual yield of 6.60%. This yield was calculated based on the simple arithmetic average of the individual yields of all energy infrastructure MLPs as of such date (the "MLP universe"). In addition, from 2000 through 2010, the annual distributions for MLPs increased at an average annual rate of approximately 7.20%. We continuously monitor for potential MLP investment candidates. Historical performance is not a guarantee of future results.
- Ø High barriers to entry. Due to the high cost of construction and the extensive time required to obtain all of the necessary environmental and regulatory approvals to construct new Midstream Assets, the barriers to enter the Midstream Sector are high. As a result, an existing network of Midstream Assets may be difficult to replicate. These barriers to entry create a competitive advantage for existing Midstream MLPs and Midstream Companies with significant operations.
- Ø Strategically important assets with market opportunity for growth. Midstream MLPs and Midstream Companies operate Energy

Assets that are necessary for providing consumers access to energy-related products. The long-lived assets these companies operate help transport energy from its point of production to its end user. In addition, shifts in domestic supply locations have created the need for additional Midstream Assets. We believe that Midstream MLPs and Midstream Companies are well-positioned to build these necessary assets at attractive rates of return. See "Market Opportunity" for a more complete discussion on this topic.

COMPETITIVE STRENGTHS

We believe that Salient is particularly qualified and positioned to identify attractive investments in the Midstream/Energy Sector due to the following:

- Ø Market knowledge, industry relationships and sourcing network. Salient is centrally located in Houston, Texas near major organizations and assets in the Midstream/Energy sector, and several of its senior professionals are multi-generation Houstonians. Because of the relationships that Salient's senior professionals have developed with management teams in the Midstream/Energy sector, we believe that we will have access to investment opportunities in our target markets. In addition, we believe that Salient's market knowledge, experience and industry relationships will enable it to recognize long-term trends in the Midstream/Energy sector and to identify differences in value among individual investment opportunities.

- Ø Research expertise. Salient's investment team includes individuals with extensive fundamental research expertise. We believe that this expertise will enable our Adviser to identify investments that offer superior potential for income and capital appreciation. In addition, Salient maintains proprietary financial forecast models for a number of the MLPs in the MLP Universe and other Energy companies that meet the investment criteria for the Fund.
- Ø Hedging Expertise. Salient's investment team has considerable experience in hedging MLP portfolios and currently manages in excess of \$150 million in MLP long/short hedge fund assets. The team has experience hedging against interest rate, equity risks and credit risks as part of its overall hedging strategy. In addition, Salient's Chief Investment Officer has extensive experience hedging multi-billion dollar institutional investment portfolios and will work closely with the investment team to implement the Fund's top-down hedging strategy.
- Ø Access to investments typically unavailable to retail investors. In addition to publicly traded companies in the Midstream/Energy Sector, the Fund may invest up to 50% of its total assets in companies in the Midstream/Energy Sector through direct placements in unregistered or otherwise restricted securities. In addition, up to 10% of the Fund's total assets may be invested in equity securities of privately held companies. Direct placements and investments in privately held companies offer the potential for increased returns, but are usually available only to a limited number of institutional investors, like the Fund.
- Ø Potential benefits from collective exposure to investments in the sector compared to directly holding such investments. The Fund seeks to provide an efficient vehicle through which the Fund's holders may invest in the Midstream/Energy Sector. An investment in the Fund offers investors several advantages compared to direct investments in the sector, including the following:
 - o Broad exposure. An investment in the Fund offers through a single investment vehicle broader exposure among investments in the sector than would be possible individually for most investors.
 - o Simplified tax reporting. Investors in the Fund, while gaining exposure to multiple investments in the sector, will receive a single Form 1099, while direct investors would receive a Schedule K-1 from each Master Limited Partnership in which they invest. Direct investors also may be required to file state income tax returns for multiple states in which the Master Limited Partnership operates, while investors in the Fund will not be required to file state income tax returns in any state in which they are not otherwise required to file tax returns.

- o Potential for inclusion in IRAs and other retirement accounts. Because the Fund's distributions are not considered unrelated business taxable income ("UBTI"), IRAs, 401(k) plans and other employee benefit plans may invest in the Fund without the adverse tax consequences that would arise from a direct investment in Master Limited Partnerships by such investors.

- o Certain potential benefits for non-U.S. investors. A non-U.S. shareholder generally would not be subject to regular net based U.S. federal income tax and associated return filing requirements as a result of an investment in the Fund, provided that the non-U.S. shareholder's investment in the Fund is not effectively connected with the shareholder's conduct of a trade or business in the U.S., although U.S. withholding taxes will apply to Fund distributions to such shareholders. Non-U.S. shareholders would generally be subject to regular net based U.S. federal income tax on income from direct investments in MLPs that is treated as effectively connected with a U.S. trade or business.

MARKET OPPORTUNITY

The Midstream/Energy Sector has experienced rapid growth since 1994, expanding from just four Master Limited Partnerships at that time to 71 registered Master Limited Partnerships as of December 31, 2010, with a total market capitalization of \$220 billion according to FactSet. Even with the advances in energy conservation over recent years,

U.S. energy consumption is estimated to grow by 20.6% from 2008 to the year 2035 according to the Energy Information Administration, Annual Energy Outlook 2011 Early Release Overview, December 2010.

As a result of rapid technological advances in the methods for extracting oil and natural gas, we believe that substantial amounts of new Midstream Assets will need to be built in the United States and Canada. We also believe that these trends are supportive for the future growth of the Midstream Sector, providing a broad range of attractive investment opportunities for the Fund.

Over the last decade, technological advances in the exploration for and production of oil and natural gas have resulted in a substantial increase in both reserves and production. The new technology includes a combination of advances in exploration, drilling and completion techniques that allow development of new and previously uneconomic oil and natural gas reservoirs. Because these reserves are produced from reservoirs that were not economic under conventional extraction methods, these reserves are known as "unconventional reserves." Examples of these unconventional reserves in the United States include the Barnett Shale, Haynesville Shale, Woodford Shale, Fayetteville Shale, Eagle Ford Shale, Marcellus Shale and Bakken Shale.

Unconventional reserves are expected to play an increasing role in supplying the future needs for natural gas in the United States. The Energy Information Administration (the "EIA") expects that in 2035, natural gas produced from shale reserves will provide almost 25% of the natural gas consumed in the United States, up from 6% in 2008. We believe that domestic exploration and production companies will more than double capital spending on unconventional reserves in coming years, which will help facilitate the expected growth in natural gas production.

Largely as a result of the increase in unconventional reserves, there has been a significant increase in the total proven supply of natural gas in the United States. From 2003 to 2008, the EIA's estimate of natural gas reserves rose by almost 30%. In addition to being a plentiful resource, we believe that natural gas provides a step towards energy independence, as domestic natural gas production is equal to approximately 90% of domestic natural gas consumption. Adding to the importance of natural gas is its potential to reduce the environmental impact of burning fossil fuels. Natural gas is the cleanest of all the fossil fuels, with carbon dioxide emissions far lower than that of coal and oil. Natural gas emits fewer overall pollutants than other fossil fuels, and an increased reliance on natural gas in lieu of consuming other fossil fuels can potentially reduce total emission of those pollutants.

Technological advances have also impacted expected domestic production of oil. North Dakota, Montana, and Saskatchewan (Canada) have recently seen growth in the production of oil from the Bakken Shale. Further growth will require additional infrastructure in the region. The Bakken Shale is estimated by the U.S. Geological Survey ("USGS") to hold up to 4 billion barrels of recoverable oil. This estimate is a 25-fold increase from the USGS's 1995 estimate. Technological improvements have also accelerated the development of Canadian oil sands. Due to the growth of production from the Canadian oil sands, Canada has become the largest exporter of oil to the United States. It is expected that the Canadian oil sands will generate substantial additional infrastructure needs, as the Canadian oil sands may represent as much as 1.7 trillion barrels, which would make it the world's largest oil deposit.

The increased importance of unconventional reserves creates a unique market opportunity for the Midstream Sector, providing a need for substantial energy infrastructure capital expenditures in coming years. A natural gas market study commissioned in 2009 by the Interstate Natural Gas Association of America Foundation noted that to accommodate the geographical shift of natural gas production from mature basins to relatively new areas, it expects that the United States and Canada will require 28,900 to 61,900 miles of new natural gas pipeline and

\$133-\$210 billion of new natural gas Midstream Assets by 2030. While a substantial portion of such investment will be made by Midstream MLPs, a portion of such investment also will be made by Midstream Companies, some of which will eventually be contributed to or purchased by the Midstream MLPs after such projects are complete. We believe that these trends support future growth of the Midstream Sector and will provide attractive investment opportunities for the Fund.

Salient believes that Master Limited Partnerships represent a timely investment opportunity for total return given both their tax-advantaged distributions and the potential for capital appreciation over time. Master Limited Partnerships combine the tax benefits associated with limited partnerships with the liquidity of publicly traded securities. The Adviser believes that investments in Master Limited Partnerships also offer potential portfolio diversification benefits, based upon their low historical correlations to equities, bonds and commodities.

THE OFFERING

Common shares offered by us · shares, excluding common shares issuable pursuant to the over-allotment option granted to the underwriters. You must purchase at least · common shares (\$) in order to participate in this offering.

Common shares to be outstanding after this offering · shares, excluding common shares issuable pursuant to the over-allotment option granted to the underwriters.

· symbol Shares of our common shares have been approved for listing on the ·, subject to notice of issuance, under the symbol "·".

Use of proceeds The net proceeds of the offering of common shares will be approximately \$ · (\$ · if the underwriters exercise the over-allotment option in full) after payment of the estimated offering expenses of \$ · and the deduction of the underwriting discount. We currently anticipate that we will be able to invest substantially all of the net proceeds in securities that meet our investment objective and policies within three to six months after the completion of this offering, and we may thereafter use financial leverage. It may take up to three to six months to invest the proceeds of this offering for several reasons, including (i) the depth of the trading market for any given MLPs, Midstream Companies and Other Energy Companies and the trading volume of securities for such companies; (ii) the lack of availability of suitable investments; and (iii) delays in completing direct investments in MLPs, Midstream Companies and Other Energy Companies.

Pending such investments, we anticipate either investing the net proceeds of this offering in short-term securities issued by the U.S. government or its agencies or instrumentalities or in high-quality, short-term or long-term debt obligations or money market instruments. The delay in anticipated use of proceeds could lower the return on our common shares in the first year of investment operations and reduce the amount of cash available to make distributions. See "Use of Proceeds."

Distributions Commencing with our initial Distribution, we intend to make regular Distributions of cash to our common shareholders. Such Distributions will be authorized by our Board of Trustees and declared by us out of funds legally available therefor. We expect to declare our initial Distribution approximately 90 days following completion of this offering and to pay such initial Distribution no later than ·, 2011.

There is no assurance that we will continue to pay regular Distributions or that we will do so at a particular rate.

We expect that only a portion of the cash payments that we receive from our investments will constitute investment company taxable income. The balance

will be return of capital

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from such investments. We cannot predict with respect to a given quarter how much of our investment company taxable income will be included in the Distribution we make for that quarter. However, we intend to pay to common shareholders on an annual basis at least 90% of our investment company taxable income. Distributions may also include cash received as return of capital from our portfolio investments or return of our investors' capital.

Section 19(a) of the 1940 Act and Rule 19a-1 thereunder require us to provide a written statement accompanying payment from any source other than our income that adequately discloses the source or sources of such payment. Thus, if our capital was the source of a Distribution, and the payment amounted to a return of capital, we would be required to provide written notice to that effect. Nevertheless, shareholders who periodically receive Distributions from us may be under the impression that such payments are made from our income, when, in fact, they are not. The amount of our Distribution that constitutes a return of capital represents a return of a shareholder's original investment in our shares. Accordingly, shareholders should carefully read any written disclosure accompanying a Distribution and should not assume that the source of payment is our income.

Various factors will affect the levels of cash that we receive from our investments, as well as the amounts of income and return of capital represented by such cash. To permit us to maintain a more stable Distribution, we may distribute less or more than the entire amount of cash that we receive from our investments in a particular period. Any undistributed cash would be available to supplement future Distributions, and until distributed would add to our net asset value. Correspondingly, once distributed, such amounts will be deducted from our net asset value. See "Distributions."

Federal income tax status

We intend to elect to be treated for federal income tax purposes as a regulated investment company, or RIC, under the Code. As a RIC, we generally will not be required to pay federal income taxes on any ordinary income or capital gains that we receive from our portfolio investments and distribute to our shareholders. To qualify as a RIC and maintain our RIC status, we must meet specific source-of-income and asset diversification requirements and distribute in each of our taxable years at least 90% of the sum of our "investment company taxable income" (which generally consists of ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any) and net tax-exempt interest out of assets legally available for distribution. If, in any year, we fail to qualify as a RIC under the applicable tax laws, we would be taxed as an ordinary corporation. In such circumstances, we could be required to recognize unrealized gains, pay substantial taxes and make substantial Distributions before requalifying as a RIC that is accorded special tax treatment. See "Tax Matters."

Under the current tax diversification rules applicable to RICs, we may directly invest up to 25% of our total assets in equity or debt securities of Master Limited Partnerships that are treated as “qualified publicly traded partnerships” under the Code. In order to increase our investments in Master Limited Partnerships, we may invest in one or more subsidiary C corporations that invest in Master Limited Partnerships. Any such subsidiary C corporation will be subject to federal corporate income tax on its income, regardless of whether such income is distributed to us. For a more complete discussion of our portfolio composition, see "Investment Objective and Policies."

Shareholder tax features

Excluding the impact of any realized gains or realized losses, we expect that a portion of our Distributions to our common shareholders may constitute a non-taxable return of capital distribution. If we distribute investment company taxable income from current and accumulated earnings and profits (which includes realized gains or realized losses, if any) as computed for federal income tax purposes, such Distributions will generally be taxable to shareholders in the current period as ordinary income for federal income tax purposes. If such Distributions exceed our current and accumulated earnings and profits as computed for federal income tax purposes, such excess Distributions will constitute a non-taxable return of capital to the extent of a common shareholder's basis in our common shares and will result in a reduction of such basis. To the extent such excess exceeds a common shareholder's basis in our common shares, such excess will be taxed as capital gain. A "return of capital" represents a return of a shareholder's original investment in our shares, and should not be confused with a dividend from earnings and profits. Upon the sale of common shares, our common shareholder generally will recognize capital gain or loss measured by the difference between the sale proceeds received by our common shareholder and our common shareholder's federal income tax basis in our common shares sold, as adjusted to reflect return of capital. We may also make distributions of net capital gains in the form of capital gain dividends, which generally will be taxable to shareholders as long-term capital gain for federal income tax purposes. See "Tax Matters."

Risk considerations

Investing in our common shares involves risk, including the risk that you may receive little or no return on your investment, or even that you may lose part or all of your investment. Therefore, before investing in our common shares you should consider carefully the risks set forth in "Risk Factors" on page . We are designed primarily as a long-term investment vehicle, and our common shares are not an appropriate investment for a short-term trading strategy. An investment in our common shares should not constitute a complete investment program for any investor and involves a high degree of risk. Due to the uncertainty in all investments, there can be no assurance that we will achieve our investment objective.

Tax risks	<p>In addition to other risk considerations, an investment in our common shares will involve certain tax risks, including the risk that Master Limited Partnerships in which we invest will be classified as corporations rather than as partnerships for federal income tax purposes (which may reduce our return and negatively affect the net asset value of our common shares), the risk that we could fail to qualify as a RIC, and the risk of changes in tax laws or regulations, or interpretations thereof, which could adversely affect us or the MLPs and other portfolio companies in which we invest. The federal, state, local and foreign tax consequences of an investment in and holding of our common shares will depend on the facts of each investor's situation. Investors are encouraged to consult their own tax advisers regarding the specific tax consequences that may affect such investors.</p> <p>See "Risk Factors—Risks Related to Our Investments and Investment Techniques—Tax Risks" and "Risk Factors—Risks Related to Our Business and Structure—Tax Risks" for more information on these risks.</p>
Distribution reinvestment plan	<p>We have adopted a distribution reinvestment plan for our common shareholders. Our plan, which will become effective upon the closing of this offering, is an "opt out" distribution reinvestment plan. As a result, if we declare a Distribution, then our common shareholders' cash Distributions will be automatically reinvested in additional shares of our common shares, unless they specifically elect to receive cash. Common shareholders who receive Distributions in the form of share will be subject to the same federal, state and local tax consequences as common shareholders who elect to receive their Distribution in cash. See "Distribution Reinvestment Plan."</p>
Trading at a discount	<p>The common shares of closed-end investment companies frequently trade at prices lower than their net asset value. We cannot assure you that our common shares will trade at a price higher than or equal to our net asset value. In addition, our net asset value will be reduced immediately following this offering by the underwriting discount and our offering costs. The possibility that our common shares may trade at a discount to our net asset value is separate and distinct from the risk that our common shares' net asset value may decline. In addition to net asset value, the market price of our common shares may be affected by such factors as the Distributions we make, which are in turn affected by expenses, the stability of our Distributions, liquidity and market supply and demand. See "Risk Factors," "Description of Capital Structure" and "Our Structure; Common Share Repurchases and Change In Our Structure." Our common shares is designed primarily for long-term investors, and you should not purchase our common shares if you intend to sell it shortly after purchase.</p>
Custodian	<p>· will act as custodian of our securities and other assets. See "Administrator, Custodian and Fund Accountant."</p>

Transfer Agent and Dividend-Paying Agent	· will act as our transfer agent and dividend-paying agent. See "Transfer Agent and Dividend-Paying Agent."
Administrator and Fund Accountant	· will provide us with certain administrative services and will act as our fund accountant. See "Administrator, Custodian and Fund Accountant."

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus constitute forward-looking statements, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, those listed under "Risk Factors" in this prospectus and our SAI. In this prospectus, we use words such as "anticipates," "believes," "expects," "intends" and similar expressions to identify forward-looking statements.

The forward-looking statements contained in this prospectus include statements as to:

- Ø our operating results;
- Ø our business prospects;
- Ø our expected investments and the impact of investments that we expect to make;
- Ø our contractual arrangements and relationships with third parties;
- Ø the dependence of our future success on the general economy and its impact on the industries in which we invest;
- Ø the ability of the MLPs, Midstream Companies and Other Energy Companies in which we invest to achieve their objectives;
- Ø our use of financial leverage and expected financings;
- Ø our tax status;
- Ø the tax status of the MLPs in which we intend to invest;
- Ø the adequacy of our cash resources and working capital; and
- Ø the timing and amount of distributions, dividends and interest income from the MLPs, Midstream Companies and Other Energy Companies in which we intend to invest.

The factors identified above are believed to be important factors, but not necessarily all of the important factors, that could cause our actual results to differ materially from those expressed in any forward-looking statement. Unpredictable or unknown factors could also have material adverse effects on us. Since our actual results, performance or achievements could differ materially from those expressed in, or implied by, these forward-looking statements, we cannot give any assurance that any of the events anticipated by the forward-looking statements will occur, or, if any of them do, what impact they will have on our results of operations and financial condition. All forward-looking statements included in this prospectus are expressly qualified in their entirety by the foregoing cautionary statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus. We do not undertake any obligation to update, amend or clarify these forward-looking statements or the risk factors contained in this prospectus, whether as a result of new information, future events or otherwise, except as may be required under the federal securities laws. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we in the future may file with the SEC, including our annual reports. We acknowledge that, notwithstanding the

foregoing statement, the safe harbor for forward-looking statements under the Private Securities Litigation Reform Act of 1995 does not apply to investment companies such as us.

FEES AND EXPENSES

The following table and example contain information about the costs and expenses that common shareholders will bear directly or indirectly. The table below assumes the use of Leverage Instruments in an amount equal to •% of our total assets and shows our expenses as a percentage of net assets attributable to our common shares. We caution you that the percentages in the table below indicating annual expenses are estimates and may vary from actual results.

Shareholder Transaction Expenses:

Sales Load Paid (as a percentage of offering price)(1)	.%
Offering Expenses (as a percentage of offering price)(2)	.%
Distribution Reinvestment Plan Fees(3)	.%
Total Shareholder Transaction Expenses (as a percentage of offering price)	.%

Percentage of Net Assets Attributable to Common Share
(Assumes Leverage Instruments are Used)(4)

Annual expenses:	
Management fees(5)	1.20%
Leverage costs(6)	.%
Other expenses(7)	.%
Total annual expenses	.%
Less management fee reimbursement (year 1)(8)	.%
Net annual expenses	.%

(1) For a description of the sales load and of other compensation paid to the underwriters by the Fund, see "Underwriting."

(2) We will pay offering expenses of up to \$0.• per share, estimated to total \$ •. Our Adviser has agreed to pay all organizational expenses and the amount by which the aggregate of all of our offering costs (other than the sales load) exceeds \$0. • per share.

(3) The expenses of administering our distribution reinvestment plan are included in Other Expenses. You will pay brokerage charges if you direct •, as agent for our common shareholders (the "Plan Administrator"), to sell your common shares held in a distribution reinvestment account. See "Distribution Reinvestment Plan."

(4) The table presented in this footnote estimates what our annual expenses would be as percentages of our net assets attributable to our common shares. This table below assumes we issue the same number of common shares, but unlike the table above, assumes that no Leverage Instruments are used by us. This will be the case, for instance, during the period when we are investing the proceeds of this offering (prior to our expected use of Leverage Instruments). In accordance with these assumptions, our expenses are estimated to be as follows:

Percentage of Net Assets Attributable to Common Share
(Assumes no Leverage Instruments are Used)

Annual expenses:	
Management fees(5)	.%
Other expenses(7)	.%
Total annual expenses	.%
Less management fee reimbursement (year 1)(8)	.%
Net annual expenses	.%

(5)

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Pursuant to the terms of the investment management agreement between us and our Adviser, the management fee is calculated at an annual rate of 1.20% of our average monthly total assets. Management fees in the table above are calculated as a percentage of net assets attributable to common shares, which results in a higher

percentage than the percentage attributable to average monthly total assets. See "Management—Investment Management Agreement."

- (6) If we use Leverage Instruments, the annual cost of leverage is estimated to be •% of such leverage. The estimated annual cost is comprised of a weighted average interest and dividend rate of •% and offering costs of •% (offering costs are amortized over an estimated weighted average term of • years). Leverage Costs in the table reflect leverage in an amount equal to •% of our total assets and assume we issue • million shares of our common shares. Leverage Costs, expressed as a percentage of our net assets, will be borne by our common shareholders and result in a reduction of the net asset value of our common shares.
- (7) Other Expenses in the table include costs incurred in connection with our operations, including payments to our administrator, custodian, fund accountant, transfer agent and our independent public accounting firm. The estimate of Other Expenses assumes that we issue • million shares of our common shares. If we issue less than • million shares of our common shares, the percentage attributable to Other Expenses will be higher.
- (8) Our Adviser has contractually agreed to waive or reimburse us for management fees in an amount equal on an annual basis to 0.20% of our average monthly total assets for the first 24 months following this offering. Management fees and waivers are expressed as a percentage of net assets in the table.

The purpose of the table above and the example below is to help you understand all of the fees and expenses that you would bear directly or indirectly as a holder of our common shares. As of the date of this prospectus, we have not commenced investment operations. The expenses shown in the table under "Other Expenses" and "Total Annual Expenses" are based on estimated amounts for our first full year of operations and assume that we issue \$ • in common shares. If we issue fewer common shares, all things being equal, certain of these percentages would increase. For additional information with respect to our expenses, see "Management" and "Distribution Reinvestment Plan."

Example

The following example illustrates the projected dollar amount of total cumulative expenses (including the sales load, estimated offering expenses, and the estimated offering costs of issuing Leverage Instruments) that common shareholders would pay over various periods on a \$1,000 investment in our common shares, assuming Total Annual Expenses are as stated in the Annual Expenses table above for the entire period. The following example assumes that all Distributions are reinvested at net asset value and assumes an annual rate of return of 5% on our portfolio securities.

	1 Year(1)	3 Years	5 Years	10 Years
You would pay the following expenses on a \$1000 investment, assuming a 5% annual return:	\$.	\$.	\$.	\$.

(1) Year 1 includes approximately \$• attributable to the sales load paid and estimated offering expenses

THE EXAMPLE AND THE EXPENSES IN THE TABLE ABOVE SHOULD NOT BE CONSIDERED A REPRESENTATION OF FUTURE EXPENSES. The example assumes that the estimated "Total Annual Expenses" set forth in the Annual Expenses table are accurate and that all Distributions are reinvested at net asset value. ACTUAL EXPENSES (INCLUDING THE COST OF LEVERAGE, IF ANY, AND OTHER EXPENSES) MAY BE GREATER OR LESS THAN THOSE SHOWN. Moreover, our actual rate of return may be greater or less than the hypothetical 5% return shown in the example.

SALIENT ENERGY INFRASTRUCTURE FUND, INC.

We are a newly organized, non-diversified, closed-end management investment company registered under the 1940 Act. We were formed as a Delaware statutory trust on February 24, 2011. Our fiscal year ends on November 30. As a newly organized entity, we have no operating history. Our common shares have been approved for listing on the NYSE under the symbol "SEI". Our principal office is located at 4265 San Felipe, Suite 800, Houston, Texas 77027, and our telephone number is (713) 993-4675.

USE OF PROCEEDS

The net proceeds of this offering will be approximately \$100 million (\$100 million if the underwriters exercise the over-allotment option in full) after payment of the offering costs of \$10 million and the deduction of the underwriting discount. Our net asset value will be reduced immediately following this offering by the amount of the underwriting discount and offering expenses paid by us.

We will invest the net proceeds of this offering in accordance with our investment objective and policies as stated in this prospectus. We currently anticipate that we will be able to invest substantially all of the net proceeds in accordance with our investment objective and policies within three to six months after the completion of this offering. It may take us up to three to six months to invest the proceeds of this offering for several reasons, including the (i) depth of the trading market for any given MLPs, Midstream Companies and Other Energy Companies and trading volume of the securities for such companies, (ii) lack of availability of suitable investments and (iii) delays in completing direct investments in MLPs, Midstream Companies and Other Energy Companies (i.e., we purchase restricted securities from such companies). Furthermore, we believe that it is in the best interest of our shareholders to invest the proceeds in a manner that does not cause security prices to increase abnormally as result of such purchases. That strategy may increase the amount of time it takes to invest the net proceeds from this offering.

Pending the use of proceeds, as described above, we anticipate either investing the proceeds in cash, cash equivalents, short-term securities issued by the U.S. government or its agencies or instrumentalities or in high-quality, short-term or long-term debt obligations or money market instruments. The delay in anticipated use of proceeds could lower the return on our common shares in the first year of our investment operations and reduce the amount of cash available to make Distributions.

RISK FACTORS

Investing in our securities involves risk, including the risk that you may receive little or no return on your investment or that you may lose part or all of your investment. The following discussion summarizes some of the risks that a potential investor should carefully consider before deciding whether to invest in our securities offered hereby.

GENERAL

Risk is inherent in all investing. The following discussion summarizes some of the risks that a potential investor should consider before deciding whether to purchase our common shares. For additional information about the risks associated with investing in our common shares, see "Investment Objective and Policies" herein and "Investment Objective" and "Investment Policies" in our SAI.

NO OPERATING OR TRADING HISTORY

We are a newly-organized, non-diversified, closed-end management investment company and have no operating or public trading history. Being a newly-organized company, we are subject to all of the business risks and uncertainties associated with any new business, including the risk that we will not achieve our investment objective and that the value of your investment could decline substantially.

MARKET DISCOUNT RISK

Shares of closed-end management investment companies frequently trade at prices lower than their net asset value, which is commonly referred to as "trading at a discount." This characteristic of shares of closed-end management investment companies is a risk separate and distinct from the risk that our net asset value may decrease. Investors who sell their shares within a relatively short period after completion of the public offering are likely to be exposed to this risk. Accordingly, our Fund is designed primarily for long-term investors and should not be considered a vehicle for trading purposes. Net asset value will be reduced following the offering by the underwriting discount and the amount of offering expenses paid by us.

Whether investors will realize a gain or loss upon the sale of our common shares will depend upon whether the market value of the shares at the time of sale is above or below the price the investor paid for the shares, taking into account transaction costs, and is not directly dependent upon our net asset value. Because the market value of our common shares will be determined by factors such as the relative demand for and supply of our shares in the market, general market conditions and other factors beyond our control, we cannot predict whether our common shares will trade at, below or above net asset value, or below or above the initial offering price for the shares.

DILUTION RISK

When our common shares are trading at a premium, we may also issue common shares that are sold through transactions effected on the •. The increase in the amount of our outstanding common shares resulting from that offering may also put downward pressure on the market price for the common shares of the Fund.

The voting power of shareholders will be diluted to the extent that such shareholders do not purchase shares in any future common share offerings or do not purchase sufficient shares to maintain their percentage interest. In addition, if the proceeds of such offering are not invested as intended, our per share distribution may decrease (or may consist of return of capital) and we may not participate in market advances to the same extent as if such proceeds were fully invested as planned.

NON-DIVERSIFIED STATUS

Overall risk can be reduced by investing in securities from a diversified pool of issuers, while overall risk is increased by investing in securities of a small number of issuers. As a non-diversified closed-end management investment company under the 1940 Act, we have fewer limitations in the proportion of our assets that may be

invested in securities of a single issuer, which means that we are allowed to invest a greater portion of our assets in a more limited number of issuers than a diversified fund. As a result, credit, market and other risks associated with our investment strategies or techniques may be more pronounced for us than for a fund that is “diversified.”

RISKS RELATED TO OUR INVESTMENTS AND INVESTMENT TECHNIQUES

INVESTMENT AND MARKET RISK

An investment in our common shares is subject to investment risk, including the possible loss of the entire amount that you invest. Your investment in our common shares represents an indirect investment in the securities owned by us, some of which will be traded on a national securities exchange or in the over-the-counter markets. An investment in our common shares is not intended to constitute a complete investment program and should not be viewed as such. The value of the securities in which we invest, like other market investments, may move up or down, sometimes rapidly and unpredictably. The value of the securities in which we invest may affect the value of our common shares. Your investment in our common shares at any point in time may be worth less than your original investment, even after taking into account the reinvestment of our Distributions. We are primarily a long-term investment vehicle and should not be used for short-term trading.

MIDSTREAM/ENERGY SECTOR RISK

Certain risks inherent in investing in Energy Companies include the following:

Supply and Demand Risk. A decrease in the production of natural gas, natural gas liquids, crude oil, coal or other energy commodities, a decrease in the volume of such commodities available for transportation, mining, processing, storage or distribution or a sustained decline in demand for such commodities, may adversely impact the financial performance of Energy Companies. Energy Companies are subject to supply and demand fluctuations in the markets they serve which will be impacted by a wide range of factors, including economic conditions, fluctuating commodity prices, weather, increased conservation or use of alternative fuel sources, increased governmental or environmental regulation, depletion, rising interest rates, declines in domestic or foreign production, accidents or catastrophic events, among others.

Depletion and Exploration Risk. Energy reserves naturally deplete as they are produced over time. Many Energy Companies are either engaged in the production of natural gas, natural gas liquids, crude oil, or coal, or are engaged in transporting, storing, distributing and processing these items and refined products on behalf of the owners of such commodities. To maintain or grow their revenues, these companies or their customers need to maintain or expand their reserves through exploration of new sources of supply, through the development of existing sources or through acquisitions. The financial performance of Energy Companies may be adversely affected if they, or the companies to whom they provide the service, are unable to cost-effectively acquire additional reserves sufficient to replace the natural decline. If an Energy Company fails to add reserves by acquiring or developing them, its reserves and production will decline over time as they are produced. If an Energy Company is not able to raise capital on favorable terms, it may not be able to add to or maintain its reserves.

Reserve Risks. Energy Companies engaged in the production of natural gas, natural gas liquids, crude oil and other energy commodities are subject to the risk that the quantities of their reserves are overstated, or will not be produced in the time periods anticipated, for a variety of reasons including the risk that no commercially productive amounts of such energy commodities can be produced from estimated reserves because of the curtailment, delay or cancellation of production activities as a result of unexpected conditions or miscalculations, title problems, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, compliance with environmental and other governmental requirements and cost of, or shortages or delays in the availability of, drilling rigs and other equipment,

and operational risks and hazards associated with the development of the underlying properties, including natural disasters, blowouts, explosions, fires, leakage of such energy commodities, mechanical failures, cratering and pollution.

Regulatory Risk. Energy Companies are subject to significant federal, state and local government regulation in virtually every aspect of their operations, including (i) how facilities are constructed, maintained and operated, (ii) how and where wells are drilled, (iii) how services are provided, (iv) environmental and safety controls, and, in

some cases (v) the prices they may charge for the products and services they provide. Various governmental authorities have the power to enforce compliance with these regulations and the permits issued under them, and violators are subject to administrative, civil and criminal penalties, including civil fines, injunctions or both. Stricter laws, regulations or enforcement policies could be enacted in the future which would likely increase compliance costs and may adversely affect the financial performance of Energy Companies. In particular, changes to laws and increased regulations or enforcement policies as a result of the Macondo oil spill in the Gulf of Mexico may adversely affect the financial performance of Energy Companies.

Commodity Pricing Risk. The operations and financial performance of Energy Companies may be directly affected by energy commodity prices, especially those Energy Companies which own the underlying energy commodity or receive payments for services that are based on commodity prices. Such impact may be a result of changes in the price for such commodity or a result of changes in the price of one energy commodity relative to the price of another energy commodity (i.e., the price of natural gas relative to the price of natural gas liquids). Commodity prices fluctuate for several reasons, including changes in market and economic conditions, the impact of weather on demand, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation and taxation and the availability of local, intrastate and interstate transportation systems. Volatility of commodity prices may also make it more difficult for Energy Companies to raise capital to the extent the market perceives that their performance may be directly or indirectly tied to commodity prices. In addition to the volatility of commodity prices, extremely high commodity prices may drive further energy conservation efforts which may adversely affect the performance of Energy Companies.

Acquisition Risk. The ability of Energy Companies to grow operating cash flow and increase such company's enterprise value can be highly dependent on their ability to make accretive acquisitions. In the event that Energy Companies are unable to make such acquisitions because they are unable to identify attractive acquisition candidates and negotiate acceptable purchase contracts, because they are unable to raise financing for such acquisitions on economically acceptable terms, or because they are outbid by competitors, their future growth will be limited. Furthermore, even if Energy Companies do consummate acquisitions that they believe will be accretive, the acquisitions may instead result in a decrease in operating cash flow or a decrease in enterprise value. Any acquisition involves risks, including, among other things: mistaken assumptions about revenues and costs, including synergies; the assumption of unknown liabilities; limitations on rights to indemnity from the seller; the diversion of management's attention from other business concerns; unforeseen difficulties operating in new product or geographic areas; and customer or key employee losses at the acquired businesses.

Affiliated Party Risk. Certain Energy Companies are dependent on their parents or sponsors for a majority of their revenues. Any failure by such company's parents or sponsors to satisfy their payments or obligations would impact such company's revenues and operating cash flows and ability to make interest payments and/or distributions.

Catastrophe Risk. The operations of Energy Companies are subject to many hazards inherent in the exploring, developing, producing, generating, transporting, transmission, storing, gathering, processing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined products, coal or electricity, including: damage to pipelines, storage tanks, plants or related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters or by acts of terrorism; inadvertent damage from construction and farm equipment; well blowouts; leaks of such energy commodities; fires and explosions. These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in the curtailment or suspension of their related operations. Not all Energy Companies are fully insured against all risks inherent to their businesses. If a significant accident or event occurs that is not fully insured, it could adversely affect the Energy Company's operations and financial condition. We expect that insurance premiums to operate certain Energy Assets will increase as a result of the Macondo oil spill in the Gulf of Mexico. Further increased government regulations to mitigate such catastrophe

risk could increase insurance and other operating costs for Energy Companies and adversely affect the financial performance of such companies.

Terrorism/Market Disruption Risk. The terrorist attacks in the United States on September 11, 2001 had a disruptive effect on the economy and the securities markets. United States military and related action in Iraq and Afghanistan is ongoing and events in the Middle East, including government stability in particular, could have significant adverse effects on the U.S. economy, and financial and commodities markets. Energy Assets could be direct targets, or

indirect casualties, of an act of terror. The U.S. government has issued warnings that Energy Assets, specifically the United States' pipeline infrastructure, may be the future target of terrorist organizations.

Weather Risk. Extreme weather conditions, such as hurricanes, (i) could result in substantial damage to the facilities of certain Energy Companies located in the affected areas, (ii) significantly increase the volatility in the supply of energy commodities and (iii) adversely effect the financial performance of Energy Companies, and could therefore adversely affect their securities. The damage done by extreme weather also may serve to increase many insurance premiums paid by Energy Companies and could adversely affect such companies' financial condition.

MLP Risks. An investment in Master Limited Partnership units involves certain risks which differ from an investment in the securities of a corporation. Holders of Master Limited Partnership units have limited control and voting rights on matters affecting the partnership. In addition, there are certain tax risks associated with an investment in MLP units and conflicts of interest exist between common unit holders and the general partner, including those arising from incentive distribution payments.

DELAY IN USE OF PROCEEDS

Although we intend to invest the proceeds of this offering in accordance with our investment objective within three to six months after the closing of this offering, such investments may be delayed if suitable investments are unavailable at the time, if we are unable to secure firm commitments for direct investments, if market conditions and trading volumes of the securities of Midstream/Energy Companies in which we intend to invest are not favorable at the time, or for other reasons. Pending such investment, the net proceeds of this offering may temporarily be invested in cash, cash equivalents, short-term securities issued by the U.S. government or its agencies or instrumentalities or in high-quality, short-term or long-term debt obligations or money market instruments. Income we receive from these securities will likely be less than returns sought pursuant to our investment objective and policies. See "Use of Proceeds."

CASH FLOW RISK

A substantial portion of the cash flow received by us is derived from our investment in equity securities of Energy Companies. The amount of cash that any such company has available to pay its equity holders in the form of distributions/dividends depends on the amount of cash flow generated from such company's operations. Cash flow from operations will vary from quarter to quarter and is largely dependent on factors affecting the company's operations and factors affecting the energy industry in general. In addition to the risk factors described above, other factors which may reduce the amount of cash an Energy Company has available to pay distributions/dividends include increased operating costs, maintenance capital expenditures, acquisition costs, expansion, construction or exploration costs and borrowing costs. Furthermore, covenants in debt instruments issued by Energy Companies in which we intend to invest may restrict distributions/dividends to equity holders or, in certain circumstances, may not allow distributions/dividends to be made to equity holders.

INTEREST RATE RISK

Interest rate risk is the risk that securities will decline in value because of changes in market interest rates. The yields for equity securities of MLPs and certain Midstream Companies are susceptible in the short-term to fluctuations in interest rates, and the prices of such equity securities may decline when interest rates rise. This is also true for any debt investments in Energy Companies that the Fund anticipates making. Our investment in such securities means that the net asset value and market price of our common shares may decline if interest rates rise because we will principally invest in income producing securities (i.e., dividend paying equity securities and fixed income investments). Furthermore, rising interest rates could adversely impact the financial performance of Energy

Companies by increasing their cost of capital. This may reduce their ability to execute acquisitions or expansion projects in a cost-effective manner.

CAPITAL MARKETS RISK

Global financial markets and economic conditions have been, and continue to be, volatile due to a variety of factors. As a result, the cost of raising capital in the debt and equity capital markets has increased while the ability to raise

capital from those markets has diminished. In particular, as a result of concerns about the general stability of financial markets and specifically the solvency of lending counterparties, the cost of raising capital from the credit markets generally has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance debt on existing terms or at all and reduced, or in some cases ceased to provide, funding to borrowers. Due to these factors, Energy Companies may be unable to obtain new debt or equity financing on acceptable terms. If funding is not available when needed, or is available only on unfavorable terms, Energy Companies may not be able to meet their obligations as they come due. Moreover, without adequate funding, Energy Companies may be unable to execute their growth strategies, complete future acquisitions, take advantage of other business opportunities or respond to competitive pressures, any of which could have a material adverse effect on their revenues and results of operations.

TAX RISKS

Tax Risk of Master Limited Partnerships. Our ability to meet our investment objective will depend, in part, on the level of taxable income and distributions we receive from the equity securities in which we invest, a factor over which we have no control. The benefit that we derive from our investment in Master Limited Partnerships is largely dependent on the Master Limited Partnerships being treated as partnerships and not as corporations for federal income tax purposes. As a partnership, a Master Limited Partnership generally has no federal income tax liability at the entity level. If, as a result of a change in current law or a change in a Master Limited Partnership's business, a Master Limited Partnership were treated as a corporation for federal income tax purposes, such Master Limited Partnership would be obligated to pay federal income tax on its income at the corporate tax rate. If a Master Limited Partnership were classified as a corporation for federal income tax purposes, the amount of cash available for distribution by the Master Limited Partnership would be reduced and distributions received by us would be taxed under federal income tax laws applicable to corporate dividends (as dividend income, return of capital, or capital gain). Therefore, treatment of a Master Limited Partnership as a corporation for federal income tax purposes would result in a reduction in the after-tax return to us, likely causing a reduction in the value of our common shares.

Tax Risk of Subsidiary C Corporations. We expect to increase the portion of our assets that we can invest, directly and indirectly, in Master Limited Partnerships by holding certain of these investments through a wholly owned taxable subsidiary C corporation. Although, as a RIC, dividends received by us from this taxable subsidiary and distributed to our shareholders will not be subject to federal income taxes, the taxable subsidiary will generally be subject to federal and state income taxes on its income, including any income the taxable subsidiary may recognize on the sale of an interest in a Master Limited Partner that it holds. As a result, the net return to us on such investments that are held by the subsidiary will be reduced to the extent that the subsidiary is subject to income taxes.

In calculating our daily net asset value in accordance with generally accepted accounting principles, we will account for the deferred tax liability and/or asset balances of our subsidiary C corporation. The subsidiary C corporation will accrue a deferred income tax liability balance, at the currently effective statutory U.S. federal income tax rate (currently 35%) plus an estimated state and local income tax rate, for its future tax liability associated with the capital appreciation of its investments and the distributions received by it on equity securities of MLPs considered to be return of capital. Upon the subsidiary C corporation's sale of a portfolio security, the subsidiary C corporation will be liable for previously deferred taxes. Any deferred tax liability balance of the subsidiary C corporation will reduce our net asset value.

Tax Law Change Risk. Changes in tax laws or regulations, or interpretations thereof in the future, could adversely affect us or the Energy Companies in which we invest. Any such changes could negatively impact our common shareholders. Legislation could also negatively impact the amount and tax characterization of Distributions received by our common shareholders.

EQUITY SECURITIES RISK

Equity securities for Energy Companies may be subject to general movements in the stock market, and a significant drop in the stock market may depress the price of securities to which we have exposure. Prices of equity securities for Energy Companies fluctuate for several reasons, including changes in the financial condition of a particular issuer, investors' perceptions of Energy Companies, the general condition of the relevant stock market, or when political or economic events affecting an issuer or the industry occur. In addition, the prices of MLP units and certain Other Energy Company equity securities may be sensitive to rising interest rates given their yield-based nature.

Certain of the Energy Companies in which we may invest have comparatively smaller capitalizations than other companies. Investing in the securities of smaller Energy Companies presents unique investment risks. These Energy Companies may have limited product lines and markets, as well as shorter operating histories, less experienced management and more limited financial resources than larger Energy Companies and may be more vulnerable to adverse general market or economic developments. Stocks of smaller Energy Companies may be less liquid than those of larger Energy Companies and may experience greater price fluctuations than larger Energy Companies. In

addition, small-cap securities may not be widely followed by the investment community, which may result in reduced demand.

DEBT SECURITIES RISKS

Debt securities in which we invest are subject to many of the risks described elsewhere in this section. In addition, they are subject to credit risk, and, depending on their quality, other special risks.

Credit Risk. An issuer of a debt security may be unable to make interest payments and repay principal. We could lose money if the issuer of a debt obligation is, or is perceived to be, unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. The downgrade of a security by rating agencies may further decrease its value. In addition, a portfolio company may issue to us a debt security that has payment-in-kind interest, which represents contractual interest added to the principal balance and due at the maturity date of the debt security in which we invest. It is possible that by effectively increasing the principal balance payable to us or deferring cash payment of such interest until maturity, the use of payment-in-kind features will increase the risk that such amounts will become uncollectible when due and payable.

Below Investment Grade and Unrated Debt Securities Risk. Below investment grade debt securities in which we may invest are rated from B3 to Ba1 by Moody's Investor Services, Inc. from B- to BB+ by Fitch Ratings, Inc. or Standard & Poor's Financial Services LLC, a division of the McGraw-Hill Companies, Inc., or comparably rated by another rating agency. Below investment grade and unrated debt securities generally pay a premium above the yields of U.S. government securities or debt securities of investment grade issuers because they are subject to greater risks than these securities. These risks, which reflect their speculative character, include the following: greater yield and price volatility; greater credit risk and risk of default; potentially greater sensitivity to general economic or industry conditions; potential lack of attractive resale opportunities (illiquidity); and additional expenses to seek recovery from issuers who default.

In addition, the prices of these below investment grade and other unrated debt securities in which we may invest are more sensitive to negative developments, such as a decline in the issuer's revenues, downturns in profitability in the energy industry or a general economic downturn, than are the prices of higher grade securities. Below investment grade and unrated debt securities tend to be less liquid than investment grade securities, and the market for below investment grade and unrated debt securities could contract further under adverse market or economic conditions. In such a scenario, it may be more difficult for us to sell these securities in a timely manner or for as high a price as could be realized if such securities were more widely traded. The market value of below investment grade and unrated debt securities may be more volatile than the market value of investment grade securities and generally tends to reflect the market's perception of the creditworthiness of the issuer and short-term market developments to a greater extent than investment grade securities, which primarily reflect fluctuations in general levels of interest rates. In the event of a default by a below investment grade or unrated debt security held in our portfolio in the payment of principal or interest, we may incur additional expense to the extent we are required to seek recovery of such principal or interest. For a further description of below investment grade and unrated debt securities and the risks associated therewith, see "Investment Objective and Policies."

Prepayment Risk. Certain debt instruments, particularly below investment grade securities, may contain call or redemption provisions which would allow the issuer thereof to prepay principal prior to the debt instrument's stated maturity. This is known as prepayment risk. Prepayment risk is greater during a falling interest rate environment as issuers can reduce their cost of capital by refinancing higher yielding debt instruments with lower yielding debt instruments. An issuer may also elect to refinance their debt instruments with lower yielding debt instruments if the credit standing of the issuer improves. To the extent debt securities in our portfolio are called or redeemed, we may be forced to reinvest in lower yielding securities.

RISKS ASSOCIATED WITH AN INVESTMENT IN INITIAL PUBLIC OFFERINGS ("IPOS")

Securities purchased in IPOs are often subject to the general risks associated with investments in companies with small market capitalizations, and typically to a heightened degree. Securities issued in IPOs have no trading history, and information about the companies may be available for very limited periods. In addition, the prices of securities sold in an IPO may be highly volatile. We may not be able to invest in IPOs, or to invest to the extent desired,

because, for example, only a small portion (if any) of the securities being offered in an IPO may be available to us. In addition, under certain market conditions, a relatively small number of companies may issue securities in IPOs. Our investment performance during periods when it is unable to invest significantly or at all in IPOs may be lower than during periods when it is able to do so.

PRIVATELY HELD COMPANY RISK

Privately held companies are not subject to SEC reporting requirements, are not required to maintain their accounting records in accordance with generally accepted accounting principles, and are not required to maintain effective internal controls over financial reporting. As a result, our Adviser may not have timely or accurate information about the business, financial condition and results of operations of the privately held companies in which the Fund invests. In addition, the securities of privately held companies are generally illiquid, and entail the risks described under—"Liquidity Risk" below.

LIQUIDITY RISK

Securities with limited trading volumes may display volatile or erratic price movements. Therefore, it may be more difficult for us to buy and sell significant amounts of such securities without an unfavorable impact on prevailing market prices. Larger purchases or sales of these securities by us in a short period of time may cause abnormal movements in the market price of these securities. As a result, these securities may be difficult to dispose of at a fair price at the times when we believe that it is desirable to do so. Investment of our capital in securities that are less actively traded or over time experience decreased trading volume may restrict our ability to take advantage of other market opportunities.

We also invest in unregistered or otherwise restricted securities. The term "restricted securities" refers to securities that are unregistered or are held by control persons of the issuer and securities that are subject to contractual restrictions on their resale. Unregistered securities are securities that cannot be sold publicly in the United States without registration under the Securities Act, unless an exemption from such registration is available. Restricted securities may be more difficult to value and we may have difficulty disposing of such assets either in a timely manner or for a reasonable price. In order to dispose of an unregistered security, we, where we have contractual rights to do so, may have to cause such security to be registered. A considerable period may elapse between the time the decision is made to sell the security and the time the security is registered so that we could sell it. Contractual restrictions on the resale of securities vary in length and scope and are generally the result of a negotiation between the issuer and us. We would, in either case, bear the risks of any downward price fluctuation during that period. The difficulties and delays associated with selling restricted securities could result in our inability to realize a favorable price upon disposition of such securities, and at times might make disposition of such securities impossible. Rule 144A permits us to sell certain restricted securities to qualified institutional buyers without limitation. Limitations on the resale of these securities may have an adverse effect on their marketability, and may prevent us from disposing of them promptly at reasonable prices. We may have to bear the expense of registering the securities for resale and the risk of substantial delays in effecting the registration. Investing in Rule 144A securities could have the effect of increasing the level of our illiquidity to the extent we, at a particular point in time, may be unable to find qualified institutional buyers interested in purchasing such securities.

Our investments in restricted securities may include investments in private companies. Such securities are not registered under the Securities Act until the company becomes a public company. Accordingly, in addition to the risks described above, our ability to dispose of such securities on favorable terms would be limited until the portfolio company becomes a public company.

INTEREST RATE HEDGING RISK

We may in the future hedge against interest rate risk resulting from our Leverage Instruments. We do not intend to hedge interest rate risk of portfolio holdings. Interest rate transactions that we may use for hedging purposes will expose us to certain risks that differ from the risks associated with our portfolio holdings. There are economic costs of hedging reflected in the price of interest rate swaps and similar techniques, the cost of which can be significant. In addition, our success in using hedging instruments is subject to our Adviser's ability to predict correctly changes in

the relationships of such hedging instruments to our interest rate risk, and there can be no assurance that our Adviser's judgment in this respect will be accurate. Depending on the state of interest rates in general, our use of interest rate hedging instruments could enhance or decrease investment company taxable income available to the holders of our common shares. To the extent that there is a decline in interest rates, the value of interest rate swaps could decline and result in a decline in the net asset value of our common shares. In addition, if the counterparty to an interest rate swap defaults, we would not be able to use the anticipated net receipts under the interest rate swap to offset our cost of financial leverage.

CONCENTRATION RISK

Our investments will be concentrated in the Midstream/Energy Sector. The focus of our portfolio on a specific industry or industries within the Midstream/Energy Sector may present more risks than if our portfolio were broadly diversified over numerous sectors of the economy. A downturn in one or more industries within the Midstream/Energy Sector would have a larger impact on us than on an investment company that does not concentrate solely in the Midstream/Energy Sector. At times the performance of securities of companies in the Midstream/Energy Sector will lag the performance of other industries or the broader market as a whole. To the extent that we invest a relatively high percentage of our assets in the obligations of a limited number of issuers, we may be more susceptible than a more widely diversified investment company to any single economic, political or regulatory occurrence.

INFLATION RISK

Inflation risk is the risk that the value of assets or income from investment will be worth less in the future as inflation decreases the value of money. As inflation increases, the real value of our common shares and Distributions that we pay declines.

PORTFOLIO TURNOVER RISK

We anticipate that our annual portfolio turnover rate will range between •% and •%, but the rate may vary greatly from year to year. Portfolio turnover rate is not considered a limiting factor in our Adviser's execution of investment decisions. A higher portfolio turnover rate results in correspondingly greater brokerage commissions and other transactional expenses that are borne by us. See "Investment Objective and Policies—Investment Practices—Portfolio Turnover."

DERIVATIVES RISK

We may purchase and sell derivative investments such as exchange-listed and over-the-counter put and call options on securities, equity, fixed income, interest rate and currency indices, and other financial instruments, and enter into various interest rate transactions such as swaps or credit default swaps. We also may purchase derivative investments that combine features of these instruments. The use of derivatives has risks, including the imperfect correlation between the value of such instruments and the underlying assets, the possible default of the other party to the transaction or illiquidity of the derivative investments. Furthermore, the ability to successfully use these techniques depends on our ability to predict pertinent market movements, which cannot be assured. Thus, the use of derivatives may result in losses greater than if they had not been used, may require us to sell or purchase portfolio securities at inopportune times or for prices other than current market values, may limit the amount of appreciation we can realize on an investment or may cause us to hold a security that we might otherwise sell. In addition, amounts paid by us as premiums and cash or other assets held in margin accounts with respect to derivative transactions are not otherwise available to us for investment purposes.

We may write covered call options. As the writer of a covered call option, during the option's life we give up 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 we retain the risk of loss should the price of the underlying security decline. The writer of an option has no control over the time when it may be required to fulfill its obligation as a writer of the option. Once an option writer has received an exercise notice, it cannot effect a closing purchase transaction in order to terminate its obligation under the option and must deliver the underlying security at the exercise price. There can be no assurance that a liquid market will exist when we seek to close out an option

position. If trading were suspended in an option purchased by us, we would not be able to close out the option. If we were unable to close out a covered call option that we had written on a security, we would not be able to sell the underlying security unless the option expired without exercise.

Depending on whether we would be entitled to receive net payments from the counterparty on a swap, which in turn would depend on the general state of short-term interest rates at that point in time, a default by a counterparty could negatively impact the performance of our common shares. In addition, at the time an interest rate transaction reaches its scheduled termination date, there is a risk that we would not be able to obtain a replacement transaction or that the terms of the replacement would not be as favorable as on the expiring transaction. If this occurs, it could have a negative impact on the performance of our common shares. If we fail to maintain any required asset coverage ratios in connection with any use by us of Leverage Instruments, we may be required to redeem or prepay some or all of the Leverage Instruments. Such redemption or prepayment would likely result in our seeking to terminate early all or a portion of any swap transaction. Early termination of a swap could result in a termination payment by or to us.

The use of interest rate swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio security transactions. Depending on market conditions in general, our use of swaps could enhance or harm the overall performance of our common shares. For example, we may use interest rate swaps in connection with any use by us of Leverage Instruments. To the extent interest rates decline, the value of the interest rate swap could decline and could result in a decline in the net asset value of our common shares. In addition, if short-term interest rates are lower than our fixed rate of payment on the interest rate swap, the swap will reduce our net earnings.

Interest rate swaps do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to interest rate swaps is limited to the net amount of interest payments that we are contractually obligated to make. If the counterparty defaults, we would not be able to use the anticipated net receipts under the swap to offset any declines in the value of our portfolio assets being hedged or the increase in our cost of Leverage Instruments. Depending on whether we would be entitled to receive net payments from the counterparty on the swap, which in turn would depend on the general state of the market rates at that point in time, such a default could negatively impact the performance of our common shares.

SHORT SALES RISK

Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the short seller to profit from declines in market prices to the extent such declines exceed the transaction costs and the costs of borrowing the securities. A short sale creates the risk of an unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Our obligation to replace a borrowed security is secured by collateral deposited with the broker-dealer, usually cash, U.S. government securities or other liquid securities similar to those borrowed. We also are required to segregate or earmark similar collateral to the extent, if any, necessary so that the value of both collateral amounts in the aggregate is at all times equal to at least 100% of the current market value of the security sold short. Depending on arrangements made with the broker-dealer from which we borrowed the security regarding payment over of any payments on such security (such as dividends), we may not receive any payments (including interest) on the collateral deposited with such broker-dealer.

RISKS RELATED TO OUR BUSINESS AND STRUCTURE

USE OF LEVERAGE

Under normal market conditions, our policy is to utilize Leverage Instruments in an amount that represents approximately 25% of our total assets, including proceeds from such Leverage Instruments. However, based on market conditions at the time, we may use Leverage Instruments in amounts that represent greater than 25%

leverage to the extent permitted by the 1940 Act. Leverage Instruments have seniority in liquidation and distribution rights over our common shares.

The issuance of Leverage Instruments represents the leveraging of our common shares. Leverage is a technique that could adversely affect our common shareholders. Unless the income and capital appreciation, if any, on securities acquired with the proceeds from Leverage Instruments exceed the costs of such Leverage Instruments, the use of leverage could cause our net asset value to decline. When leverage is used, the net asset value and market value of our common shares will be more volatile. There is no assurance that our use of leverage will be successful.

Our common shareholders bear the costs of leverage through higher operating expenses. Because management fees are based on our total assets, our use of leverage increases the effective management fee borne by our common shareholders. In addition, the issuance of additional Leverage Instruments by us would result in offering expenses and other costs, which would ultimately be borne by our common shareholders. Fluctuations in interest rates could increase our interest or dividend payments on Leverage Instruments and could reduce cash available for Distributions on our common shares. Certain Leverage Instruments are subject to covenants regarding asset coverage, portfolio composition and other matters, which may affect our ability to pay Distributions to our common shareholders in certain instances. We may also be required to pledge our assets to the lenders in connection with certain other types of Leverage Instruments.

Leverage involves other risks and special considerations for common shareholders including: the likelihood of greater volatility of net asset value and market price of our common shares than a comparable portfolio without leverage; the effect of leverage in a declining market, which is likely to cause a greater decline in the net asset value of our common shares than if we were not leveraged, which may result in a greater decline in the market price of our common shares; and when we use financial leverage, the investment management fee payable to our Adviser may be higher than if we did not use leverage.

Leverage Instruments constitute a substantial lien and burden by reason of their prior claim against our income and against our net assets in liquidation. The rights of lenders to receive payments of interest on and repayments of principal of any debt ("Indebtedness") are senior to the rights of holders of common shares and preferred shares, with respect to the payment of distributions or upon liquidation. We may not be permitted to declare dividends or other Distributions, including dividends and distributions with respect to common shares or preferred shares unless at such time, we meet certain asset coverage requirements and no event of default exists under any Indebtedness. In addition, we may not be permitted to pay Distributions on common shares unless all dividends on the preferred shares and/or accrued interest on Indebtedness have been paid, or set aside for payment.

In an event of default under any Leverage Instruments, the lenders or preferred shareholders have the right to cause a liquidation of collateral (i.e., sell portfolio securities) and, if any such default is not cured, the lenders or preferred shareholders may be able to control the liquidation as well. If an event of default occurs or in an effort to avoid an event of default, we may be forced to sell securities at inopportune times and, as a result, receive lower prices for such security sales.

Certain types of leverage may subject us to certain affirmative covenants relating to asset coverage and our portfolio composition and may impose special restrictions on our use of various investment techniques or strategies or in our ability to pay Distributions on common shares in certain instances. In addition, we may be subject to certain negative covenants relating to transaction with affiliates, mergers and consolidation, among others.

While we may from time to time consider reducing leverage in response to actual or anticipated changes in interest rates in an effort to mitigate the increased volatility of current income and net asset value associated with leverage, there can be no assurance that we will actually reduce leverage in the future or that any reduction, if undertaken, will

benefit our common shareholders. Changes in the future direction of interest rates are very difficult to predict accurately. If we were to reduce leverage based on a prediction about future changes to interest rates, and that prediction turned out to be incorrect, the reduction in leverage would likely result in a reduction in income and/or total returns to common shareholders relative to the circumstance if we had not reduced leverage. We may decide that this risk outweighs the likelihood of achieving the desired reduction to volatility in income and the price of our common shares if the prediction were to turn out to be correct and determine, as a result, not to reduce leverage as described above.

To the extent we use Leverage Instruments, the Indebtedness that we anticipate issuing will have maturity dates ranging from • to • years from the date of issuance. The preferred shares we anticipate issuing is a mandatory redeemable preferred that must be redeemed within • years from the date of issuance. If we are unable to refinance such Leverage Instruments when they mature, we may be forced to sell securities in our portfolio to repay such Leverage Instruments. Furthermore, if we do not repay the Leverage Instruments when they mature, we will trigger an event of default on our Indebtedness (which will increase the interest rate on such Indebtedness and give the holders of such Indebtedness certain rights) and will trigger a higher dividend rate on the preferred shares.

Finally, the 1940 Act provides certain rights and protections for preferred shareholders which may adversely affect the interests of our common shareholders. See "Description of Capital Structure."

TAX RISKS

In addition to other risk considerations, an investment in our common shares will involve certain tax risks, including, but not limited to, the risks summarized below and discussed in more detail in this prospectus. Tax matters are very complicated, and the federal, state, local and foreign tax consequences of an investment in and holding of our common shares will depend on the facts of each investor's situation. Investors are encouraged to consult their own tax advisers regarding the specific tax consequences that may affect such investors.

Tax treatment of Distributions. We cannot assure you what percentage of the Distributions paid on our common shares, if any, will be treated as qualified dividend income, long-term capital gain or return of capital or what the tax rates on various types of income or gain will be in future years. A reduction in the return of capital portion of the distributions that we receive from our portfolio investments or an increase in our earnings and profits and portfolio turnover may reduce that portion of our Distribution treated as a tax-deferred return of capital and increase that portion treated as a dividend, resulting in lower after-tax Distributions to our common shareholders. The favorable rates on qualified dividend income and long-term capital gains are currently scheduled to increase for certain income received or gains realized for taxable years beginning after December 31, 2012. See "Tax Matters."

Failure to Qualify as a Regulated Investment Company. To qualify as a RIC under the Code, we must meet certain income source, asset diversification and annual distribution requirements. The annual distribution requirement for a RIC is satisfied if we distribute at least 90% of our "investment company taxable income" (which generally consists of ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any) and net tax-exempt interest, if any, to our shareholders on an annual basis. Any Leverage Instruments we issue in the future would subject us to certain asset coverage ratio requirements under the 1940 Act as an investment company, and we may be subject to financial covenants under loan and credit agreements that could, under certain circumstances, restrict us from making distributions necessary to qualify as a RIC. If we are unable to obtain cash from other sources, we may fail to qualify as a RIC and, thus, may be subject to income tax as an ordinary corporation.

To qualify as a RIC, we must also meet certain asset diversification requirements at the end of each quarter of each taxable year. In particular, in order to meet the asset diversification requirement for a RIC, we must diversify our holdings so that, at the end of each quarter of each taxable year, (i) at least 50% of the value of our 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 for purposes of such calculation, in respect of any one issuer, to an amount not greater than 5% of the value of our total assets and not more than 10% of the outstanding voting securities of such issuer, and (ii) not more than 25% of the value of our total assets is invested in the securities (other than U.S. Government securities or the securities of other RICs) of any one issuer, the securities (other than the securities of other RICs) of any two or more issuers that we control (by owning 20% or more of their voting power)

and that are determined to be engaged in the same or similar trades or businesses or related trades or businesses, or the securities of one or more qualified publicly traded partnerships. A qualified publicly traded partnership is a publicly traded partnership that derives less than 90% of its gross income each year from sources that qualify under income source requirements for RICs described below.

To qualify as a RIC, we must also meet certain income source requirements. In order to meet the income source requirement for a RIC, at least 90% of our gross income in each taxable year must be derived from dividends, interest, payments with respect to securities loans, and gains from the sale or other disposition of share or securities or foreign currencies, or other income (including but not limited to gains from options, futures or forward contracts) derived with respect to our business of investing in such share, securities, or currencies, and net income derived from interests in qualified publicly traded partnerships. Income derived from a partnership (other than a qualified publicly traded partnership) is treated for purposes of the 90% gross income test as if the income of the partnership was earned directly by the RIC. We may invest in certain equity securities issued by non-traded limited partnerships, and income earned with respect to such partnerships may not be qualifying income for purposes of the 90% gross income test. Although we do not anticipate income from our direct investments in the equity securities of non-traded limited partnerships to exceed the limits set forth above, we cannot be certain that this will be the case. Failure to comply with the 90% gross income test may result in our having to dispose of certain investments at times we would not consider advantageous in order to prevent the loss of RIC status. Any such dispositions could be made at disadvantageous prices and may result in substantial losses.

We anticipate that the Master Limited Partnerships in which we invest will be qualified publicly traded partnerships, and thus that we will be able to invest no more than 25% of the value of our total assets directly in Master Limited Partnerships. We expect to increase the portion of our assets that we can invest, directly and indirectly, in Master Limited Partnerships by holding certain of these investments through a wholly owned taxable subsidiary corporation. To comply with the diversification requirements described above, we will be able to invest no more than 25% of the value of our total assets in this taxable subsidiary corporation. The distributions that we receive from the Master Limited Partnerships in which we invest directly (assuming they are qualified publicly traded partnerships) and from this taxable subsidiary corporation will be qualifying income for purposes of the 90% gross income test. However, the taxable subsidiary corporation will be required to pay federal and state income taxes on its taxable income and, thus, the amount of cash that the subsidiary has available to distribute to us will be correspondingly reduced. We have not sought and will not seek any ruling from the Internal Revenue Service regarding the taxation of the Fund, its shareholders, or the taxable subsidiary corporation.

If, in any year, we fail to qualify as a RIC for any reason, we would be taxed as an ordinary corporation and would become (or remain) subject to corporate income tax. The resulting corporate taxes could substantially reduce our net assets, the amount of income available for distribution and the amount of our Distributions. Such a failure would have a material adverse effect on us and our shareholders. In such circumstances, we could be required to recognize unrealized gains, pay substantial taxes and interest and make substantial Distributions before requalifying as a RIC that is accorded special treatment. In such case, Distributions to our common shareholders generally would be eligible (i) for treatment as qualified dividend income in the case of individual shareholders, and (ii) for the dividends-received deduction in the case of corporate shareholders, provided certain holding period requirements were satisfied.

Deferred Tax Risks of Investing in our Common Stock. A reduction in the return of capital portion of the distributions that we receive from our portfolio investments or an increase in our earnings and profits and portfolio turnover may reduce that portion of our Distribution treated as a tax-deferred return of capital and increase that portion treated as a dividend, resulting in lower after-tax Distributions to our common stockholders.

Because the subsidiary C corporation through which we indirectly invest in Master Limited Partnerships is treated as a regular taxable corporation for U.S. federal income tax purposes, the subsidiary C corporation will incur tax expenses. In calculating our daily net asset value, we will, among other things, account for the subsidiary C corporation's deferred tax liability and/or asset balances. We will assess whether a valuation allowance is required to offset some or all of any deferred tax asset of the subsidiary C corporation in connection with the calculation of our net asset value per share each day; however, to the extent the final valuation allowance differs from the estimates we used in

calculating our daily net asset value, the application of such final valuation allowance could have a material impact on our net asset value.

Tax Law Change Risk. Under current law, qualified dividend income received by individual shareholders is taxed at the maximum federal tax rate of 15% for individuals, provided a holding period requirement and certain other requirements are met. This reduced rate of tax on qualified dividend income is currently scheduled to revert to ordinary income rates for taxable years beginning after December 31, 2012. The maximum 15% federal income tax rate for long-term capital gain under current law is scheduled to revert to 20% for such taxable years.

MANAGEMENT RISK; DEPENDENCE ON KEY PERSONNEL OF SALIENT

Our portfolio is subject to management risk because it is actively managed. Our Adviser applies investment techniques and risk analyses in making investment decisions for us, but there can be no guarantee that they will produce the desired results.

We depend upon Salient's key personnel for our future success and upon their access to certain individuals and investments in the Midstream/Energy Sector. In particular, we depend on the diligence, skill and network of business contacts of our portfolio managers, who evaluate, negotiate, structure, close and monitor our investments. These individuals do not have long-term employment contracts with Salient, although they do have equity interests and other financial incentives to remain with Salient. For a description of Salient, see "Management—Investment Adviser." We also depend on the senior management of Salient. The departure of any of our portfolio managers or the senior management of Salient could have a material adverse effect on our ability to achieve our investment objective. In addition, we can offer no assurance that SCA will remain our investment adviser or that we will continue to have access to Salient's industry contacts and deal flow.

CONFLICTS OF INTEREST OF SALIENT

Conflicts of interest may arise because Salient and its affiliates generally carry on substantial investment activities for other clients in which we will have no interest. Salient or its affiliates may have financial incentives to favor certain of such accounts over us. Any of their proprietary accounts and other customer accounts may compete with us for specific trades. Salient or its affiliates may buy or sell securities for us which differ from securities bought or sold for other accounts and customers, although their investment objectives and policies may be similar to ours. Situations may occur when we could be disadvantaged because of the investment activities conducted by Salient or

its affiliates for their other accounts. Such situations may be based on, among other things, legal or internal restrictions on the combined size of positions that may be taken for us and the other accounts, thereby limiting the size of our position, or the difficulty of liquidating an investment for us and the other accounts where the market cannot absorb the sale of the combined position.

Our investment opportunities may be limited by affiliations of Salient or its affiliates with companies in the Midstream/Energy Sector. In addition, to the extent that Salient sources and structures private investments in companies in the Midstream/Energy Sector, certain employees of Salient may become aware of actions planned by these companies, such as acquisitions, that may not be announced to the public. Although Salient maintains procedures to ensure that any material non-public information available to certain Salient employees not be shared with those employees responsible for the purchase and sale of publicly traded securities, it is possible that we could be precluded from investing in a company about which Salient has material non-public information.

SCA also manages several private investment funds that invest primarily in MLPs (collectively "Affiliated Funds") and some of the Affiliated Funds have investment objectives that are similar to or overlap with ours. In particular, certain Affiliated Funds invest in MLPs and Midstream Companies. Furthermore, SCA may at some time in the future, manage other investment funds with the same investment objective as ours.

Investment decisions for us are made independently from those of Salient's other clients; however, from time to time, the same investment decision may be made for more than one fund or account. When two or more clients advised by Salient or its affiliates seek to purchase or sell the same publicly traded securities, the securities actually purchased or sold are allocated among the clients on a good faith equitable basis by Salient in its discretion in accordance with the clients' various investment objectives and procedures adopted by Salient and approved by our Board of Trustees. In some cases, this system may adversely affect the price or size of the position that we may obtain. In other cases, however, our ability to participate in volume transactions may produce better execution for us.

We and our affiliates, including Affiliated Funds, may be precluded from co-investing in private placements of securities, including in any portfolio companies that we control. Except as permitted by law, Salient will not co-invest its other clients' assets in the private transactions in which we invest. Salient will allocate private investment opportunities among its clients, including us, based on allocation policies that take into account several suitability factors, including the size of the investment opportunity, the amount of funds that each client has available for investment and the client's investment objectives. These allocation policies may result in the allocation of investment opportunities to an Affiliated Fund rather than to us. The policies contemplate that Salient will exercise discretion, based on several factors relevant to the determination, in allocating the entirety, or a portion, of such investment opportunities to an Affiliated Fund, in priority to other prospectively interested advisory clients, including us. In this regard, when applied to specified investment opportunities that would normally be suitable for us, the allocation policies may result in certain Affiliated Funds having greater priority than us to participate in such opportunities depending on the totality of the considerations, including, among other things, our available capital for investment, our existing holdings, applicable tax and diversification standards to which we may then be subject and the ability to efficiently liquidate a portion of our existing portfolio in a timely and prudent fashion in the time period required to fund the transaction.

The investment management fee paid to our Adviser is based on the value of our assets, as periodically determined. A significant percentage of our assets may be illiquid securities acquired in private transactions for which market quotations will not be readily available. Although we will adopt valuation procedures designed to determine valuations of illiquid securities in a manner that reflects their fair value, there typically is a range of prices that may be established for each individual security. Senior management of our Adviser, our Board of Trustees and its Valuation Committee, and a third-party valuation firm participate in the valuation of our securities. See "Net Asset Value."

RISK OF OWNING SECURITIES OF AFFILIATES

From time to time, we may "control" or may be an "affiliate" of one or more of our portfolio companies, each as defined in the 1940 Act. In general, under the 1940 Act, we would "control" a portfolio company if we owned 25% or more of its outstanding voting securities and would be an "affiliate" of a portfolio company if we owned 5% or more of its outstanding voting securities or any of Salient's employees serves as a director of such company. The

1940 Act contains prohibitions and restrictions relating to transactions between investment companies and their affiliates (including our investment adviser), principal underwriters and affiliates of those affiliates or underwriters.

We believe that there is significant ambiguity in the application of existing SEC staff interpretations of the term "voting security" to complex structures such as limited partner interests of MLPs in which we invest. As a result, it is possible that the SEC staff may consider that certain securities of investments in limited partnerships are voting securities under the staff's prevailing interpretations of this term. If such determination is made, we may be regarded as a person affiliated with and controlling the issuer(s) of those securities for purposes of Section 17 of the 1940 Act.

In light of the ambiguity of the definition of voting securities, we do not intend to treat any class of limited partner interests of MLPs that we hold as "voting securities" unless the security holders of such class currently have the ability, under the partnership agreement, to remove the general partner (assuming a sufficient vote of such securities, other than securities held by the general partner, in favor of such removal) or we have an economic interest of sufficient size that otherwise gives us the de facto power to exercise a controlling influence over such MLP. We believe this treatment is appropriate given that the general partner controls the MLP, and without the ability to remove the general partner or the power to otherwise exercise a controlling influence over the MLP due to the size of an economic interest, the security holders have no control over the MLP.

There is no assurance that the SEC staff will not consider that other limited partnership securities that we own and do not treat as voting securities are, in fact, voting securities for the purposes of Section 17 of the 1940 Act. If such determination were made, we will be required to abide by the restrictions on "control" or "affiliate" transactions as proscribed in the 1940 Act. We or any portfolio company that we control, and our affiliates, may from time to time engage in certain of such joint transactions, purchases, sales and loans in reliance upon and in compliance with the conditions of certain exemptive rules promulgated by the SEC. We cannot assure you, however, that we would be able to satisfy the conditions of these rules with respect to any particular eligible transaction, or even if we were allowed to engage in such a transaction that the terms would be more or as favorable to us or any company that we control as those that could be obtained in an arms length transaction. As a result of these prohibitions, restrictions may be imposed on the size of positions that may be taken for us or on the type of investments that we could make.

COMPETITION RISK

There are a limited number of other companies, including other publicly traded investment companies and private funds, which may serve as alternatives to us for investment in a portfolio of companies in the Midstream/Energy Sector.

VALUATION RISK

Market prices may not be readily available for any restricted or unregistered investments in public companies or investments in private companies made by the Fund. The value of such investments will ordinarily be determined based on fair valuations pursuant to procedures adopted by the Board of Trustees. Restrictions on resale or the absence of a liquid secondary market may adversely affect our ability to determine our net asset value. The sale price of securities that are not readily marketable may be lower or higher than our most recent determination of their fair value. In addition, the value of these securities typically requires more reliance on the judgment of our Adviser than that required for securities for which there is an active trading market. Due to the difficulty in valuing these securities and the absence of an active trading market for these investments, we may not be able to realize these securities' true value or may have to delay their sale in order to do so.

ANTI-TAKEOVER PROVISIONS

Our Agreement and Declaration of Trust (the “Declaration of Trust”) and Bylaws include provisions that could limit the ability of other entities or persons to acquire control of us, to convert us to open-end status, or to change the composition of our Board of Trustees. We have also adopted other measures that may make it difficult for a third party to obtain control of us, including provisions of our Declaration of Trust classifying our Board of Trustees in three classes serving staggered three-year terms, and provisions authorizing our Board of Trustees, without shareholder approval, to cause the issuance of additional classes or series of shares and to amend our Declaration of Trust. These and other provisions, as well as other provisions of our Declaration of Trust and Bylaws, could have

the effect of discouraging, delaying, deferring or preventing a transaction or a change in control that might otherwise be in the best interests of our shareholders. As a result, these provisions may deprive our common shareholders of opportunities to sell their common shares at a premium over the then current market price of our common shares. See "Description of Capital Structure."

DISTRIBUTIONS

Commencing with our initial Distribution, we intend to make regular Distributions to our common shareholders. Such Distributions, if any, will be determined by our Board of Trustees and declared by us out of funds legally available theretofore. We expect to declare our initial Distribution approximately 90 days following completion of this offering and pay such initial Distribution no later than, • 2011. There is no assurance that we will continue to pay regular Distributions or that we will do so at a particular rate.

We intend to be treated as a RIC under Subchapter M of the Code. To maintain our RIC status, we must distribute during each taxable year at least 90% of our "investment company taxable income" (which generally consists of ordinary income and realized net short-term capital gains in excess of realized net long-term capital losses, if any) and net tax-exempt interest out of the assets legally available for distribution. A portion of the distributions we receive from our investments will be treated as a return of capital and therefore generally would not be treated as "investment company taxable income." While we anticipate that we would distribute some or all of such return of capital, we are not required to do so in order to maintain our RIC status. We cannot predict with respect to a given quarter how much of our investment company taxable income will be included in the Distribution we make for that quarter. However, we intend to pay to common shareholders on an annual basis at least 90% of our investment company taxable income. Distributions may also include cash received as return of capital from our portfolio investments or return of our investors' capital. A "return of capital" represents a return of a shareholder's original investment in our shares and should not be confused with a dividend from earnings and profits.

In order to avoid certain excise taxes imposed on RICs, we must distribute during each calendar year an amount at least equal to the sum of (1) 98% of our ordinary income for the calendar year, (2) 98.2% of our capital gains in excess of our capital losses for the one-year period ending on •, the last day of our taxable year (which we intend to elect to continue to use for this purpose), and (3) any ordinary income and net capital gains for preceding years that were not distributed or taxed during such years. We currently intend to make sufficient Distributions to satisfy the annual distribution requirement and to avoid the excise taxes.

Although we currently intend to distribute realized net capital gains (i.e., net long-term capital gains in excess of short-term capital losses), if any, at least annually, out of the assets legally available for such Distributions, we may in the future decide to retain such capital gains for investment and designate such retained amount as a deemed Distribution. The consequences of our retention of net capital gains are as described under "Tax Matters."

Various factors will affect the levels of cash that we receive from our investments, as well as the amounts of income and return of capital represented by such cash. To permit us to maintain a more stable quarterly Distribution, we may distribute less or more than the entire amount of cash we receive from our investments in a particular period. Any undistributed cash would be available to supplement future Distributions, and until distributed would add to our net asset value. Correspondingly, once distributed, such amounts will be deducted from our net asset value.

The 1940 Act generally limits our long-term capital gain distributions to one per year, except for certain permitted distributions related to our qualification as a RIC. This limitation does not apply to that portion of our Distributions that is not characterized as long-term capital gain. Although we have no current plans to do so, we may in the future apply to the SEC for an exemption from Section 19(b) of the 1940 Act and Rule 19b-1 thereunder permitting us to make periodic distributions of long-term capital gains provided that our Distribution policy with respect to our common shares calls for periodic (e.g., quarterly) Distributions in an amount equal to a fixed percentage of our average net asset value over a specified period of time or market price per common shares at or about the time of distribution or pay-out of a level dollar amount. We cannot assure you that if we apply for this exemption, the requested relief will be granted by the SEC in a timely manner, if at all.

Unless you elect to receive your common shares Distributions in cash, they will automatically be reinvested into additional common shares pursuant to our distribution reinvestment plan. Distributions will be treated the same for federal income tax purposes whether paid in cash or reinvested into additional common shares. See "Distribution Reinvestment Plan."

DISTRIBUTION REINVESTMENT PLAN

We have adopted a distribution reinvestment plan (the "DRIP"), which will become effective upon the closing of this offering, which provides that unless you elect to receive your Distributions in cash, they will be automatically reinvested by the Plan Administrator, •, in additional shares of our common shares. If you elect to receive your Distributions in cash, you will receive them in cash paid by check mailed directly to you by the Plan Administrator.

No action is required on the part of a registered shareholder to have their cash Distribution reinvested in shares of our common shares. Unless you or your brokerage firm decides to opt out of the DRIP, the number of common shares that you will receive will be determined as follows:

(1) The number of shares to be issued to a shareholder shall be based on share price equal to 95% of the closing price of our common shares one day prior to the Distribution payment date.

(2) Our Board of Trustees may, in its sole discretion, instruct us to purchase shares of our common shares in the open market in connection with the implementation of the DRIP as follows: If our common shares is trading below net asset value at the time of valuation, upon notice from us, the Plan Administrator will receive the Distribution in cash and will purchase common shares in the open market, on the • or elsewhere, for the participants' accounts, except that the Plan Administrator will endeavor to terminate purchases in the open market and cause us to issue the remaining shares if, following the commencement of the purchases, the market value of the shares, including brokerage commissions, exceeds the net asset value at the time of valuation. Provided the Plan Administrator can terminate purchases on the open market, the remaining shares will be issued by us at a price equal to the greater of (i) the net asset value at the time of valuation, or (ii) 95% of the then current market price. It is possible that the average purchase price per share paid by the Plan Administrator may exceed the market price at the time of valuation, resulting in the purchase of fewer shares than if the Distribution had been paid entirely in common shares issued by us.

You may withdraw from the DRIP at any time by giving written notice to the Plan Administrator, or by telephone in accordance with such reasonable requirements as we and the Plan Administrator may agree upon. If you withdraw or the DRIP is terminated, you will receive a certificate for each whole share in your account under the DRIP and you will receive a cash payment for any fractional shares in your account. If you wish, the Plan Administrator will sell your shares and send the proceeds to you, less brokerage commissions. The Plan Administrator is authorized to deduct a \$• transaction fee plus a \$• per share brokerage commission from the proceeds.

The Plan Administrator will maintain all common shareholders' accounts in the DRIP and will give written confirmation of all transactions in the accounts, including information that you may need for tax records. Common share in your account will be held by the Plan Administrator in non-certificated form. The Plan Administrator will forward to each participant any proxy solicitation material and will vote any shares so held only in accordance with proxies returned to us. Any proxy that you receive will include all common shares that you have received under the DRIP.

There is no brokerage charge for reinvestment of your Distributions in common shares. However, all participants will pay a pro rata share of brokerage commissions incurred by the Plan Administrator when it makes open market purchases.

Automatically reinvesting Distributions does not mean that you do not have to pay income taxes due upon receiving Distributions, even though you have not received any cash with which to pay the resulting tax. See "Tax Matters."

If you hold your common shares with a brokerage firm that does not participate in the DRIP, you will not be able to participate in the DRIP and any Distribution reinvestment may be effected on different terms than those described

above. Consult your financial adviser for more information.

The Plan Administrator's fees under the DRIP will be borne by us. There is no direct service charge to participants in the DRIP; however, we reserve the right to amend or terminate the DRIP, including amending the DRIP to include a service charge payable by the participants, if in the judgment of the Board of Trustees the change is

warranted. Any amendment to the DRIP, except amendments necessary or appropriate to comply with applicable law or the rules and policies of the SEC or any other regulatory authority, require us to provide at least • days written notice to each participant. Additional information about the DRIP may be obtained from • at •.

INVESTMENT OBJECTIVE AND POLICIES

Our investment objective is to provide a high level of total return with an emphasis on making quarterly Distributions to our shareholders. Our investment objective is considered a fundamental policy and therefore may not be changed without the approval of the holders of a "majority of the outstanding" voting securities. When used with respect to our voting securities, a "majority of the outstanding" voting securities means (i) 67% or more of the shares present at a meeting, if the holders of more than 50% of the shares are present or represented by proxy, or (ii) more than 50% of the shares, whichever is less.

We intend to achieve that objective by investing at least 80% of our total assets in securities of companies in the Midstream/Energy Sector. There can be no assurance that we will achieve our investment objective.

The remainder of our investment policies, including our investment strategy, are considered non-fundamental and may be changed by the Board of Trustees without the approval of the holders of a majority of our voting securities, provided that the holders of such voting securities receive at least 60 days' prior written notice of any change. We have adopted the following non-fundamental investment policies for investment during normal market conditions:

Ø We will invest at least 80% of our total assets in securities of companies in the Midstream/Energy Sector.

Ø We will invest in equity securities such as common units, preferred units, subordinated units, general partner interests, common stocks, preferred stocks and convertible securities in MLPs, Midstream Companies and Other Energy Companies.

Ø We may directly invest up to but not more than 25% (or such higher amount as permitted by any applicable tax diversification rules) of our total assets in equity or debt securities of Master Limited Partnerships. This limit does not apply to securities issued by MLP Affiliates, which are not treated as publicly traded partnerships for federal income tax purposes, or investments made into MLPs by any subsidiary C corporations owned by us.

Ø We may invest up to but not more than 25% of our total assets into subsidiary C corporations which in turn may invest up to 100% of their assets into equity or debt securities of Master Limited Partnerships.

Ø We will invest at least 50% of our total assets in securities of Midstream MLPs and Midstream Companies.

Ø We may invest up to but not more than 50% of our total assets in securities of Other MLPs.

Ø We may invest up to but not more than 50% of our total assets in unregistered or otherwise restricted securities of companies in the Midstream/Energy Sector. For purposes of this limitation, "restricted securities" include (i) registered securities of public companies subject to a lock-up period, (ii) unregistered securities of public companies with registration rights, (iii) unregistered securities of public companies that become freely tradable with the passage of time, or (iv) securities of privately held companies. However, no more than 10% of our total assets may be invested in equity securities of privately held companies. For purposes of the foregoing, a registered security subject to such a lock-up period will no longer be considered a "restricted security" upon expiration of the lock-up period, an unregistered security of a public company with registration rights will no longer be considered a "restricted security" when such securities become registered, and an unregistered security of a public company that becomes freely tradable with the passage of time will no longer be considered a "restricted security" upon the elapse of the

requisite time period.

Ø We may invest up to but not more than 25% of our total assets in debt securities of Energy Companies. Up to but not more than 15% of our total assets may be invested in unrated debt securities. The balance of such debt investments may be invested in securities which are rated, at the time of investment, at least • (or an equivalent

rating) by a nationally recognized ratings agency at the time of investment. For the purposes of determining if an investment satisfies this test, we will look to the highest credit rating on such debt investment.

Ø We may invest up to but not more than 10% of our total assets in any single issuer other than any subsidiary C corporation owned by us.

Ø We generally will seek to enhance our total returns through the use of Leverage Instruments. Our policy is to utilize Leverage Instruments in an amount that represents approximately 25% of our total assets. However, based on market conditions at the time, we may use Leverage Instruments in amounts that represent greater than 25% of our total assets to the extent permitted by the 1940 Act. See "Use of Leverage," below.

The percentage limitations applicable to our portfolio described above apply only at the time of investment, and we will not be required to sell securities due to subsequent changes in the value of securities we own. However, although we may not be required to sell securities due to subsequent changes in value, if such changes cause us to have invested less than 80% of our total assets in securities of companies in the Midstream/Energy Sector, we will be required to make future purchases of securities in a manner so as to bring us into compliance with this investment policy. We will invest primarily in companies located in North America, but we may invest in companies located anywhere in the world. We wi