

MANNATECH INC
Form DEF 14A
April 15, 2014

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to
§240.14a-12

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14a-6(e)(2))

Mannatech, Incorporated
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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COPPELL, TEXAS

April 15, 2014

Dear Shareholder:

This letter extends to you a personal invitation to join us at our 2014 Annual Shareholders' Meeting on Wednesday, May 28, 2014, at 9:00 a.m., Central Daylight Time, at the Grapevine Convention Center located at 1209 South Main Street, Grapevine, Texas.

The purpose of this year's meeting is to (i) elect two Class III directors, (ii) ratify the appointment of our independent registered public accounting firm, (iii) hold an advisory vote on executive compensation ("Say-on-Pay"); and (iv) approve an amendment to the 2008 Stock Incentive Plan to increase the number of shares of common stock subject to the plan by 130,000.

We have enclosed with this letter an official notice of our 2014 Annual Shareholders' Meeting and proxy statement, which contains further information about the items to be voted on and information about the meeting itself, including a description of the matters to be considered and acted on at our 2014 Annual Shareholders' Meeting.

REMEMBER, regardless of the number of shares that you hold, your vote is very important to our business and to us. Whether or not you plan to attend our 2014 Annual Shareholders' Meeting, we urge you to cast your vote by telephone or through the Internet by following the instructions included on the Notice of Internet Availability of Proxy Materials that you received, or if you received a paper copy of the proxy card, to mark, date, sign and return the proxy card in the envelope provided. You may still vote in person if you attend the meeting, even if you have previously given your proxy.

We want to thank you for your ongoing support and we hope to see you at our 2014 Annual Shareholders' Meeting.

Sincerely,

J. Stanley Fredrick
Chairman of the Board of Directors

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MANNATECH, INCORPORATED
NOTICE OF OUR 2014 ANNUAL SHAREHOLDERS' MEETING
TO BE HELD ON MAY 28, 2014

TO THE SHAREHOLDERS OF MANNATECH, INCORPORATED,

The 2014 Annual Shareholders' Meeting of Mannatech, Incorporated will be held at the Grapevine Convention Center, located at 1209 South Main Street, Grapevine, Texas, on Wednesday, May 28, 2014, at 9:00 a.m., Central Daylight Time, for the following purposes:

· Proposal 1 - To elect Messrs. Alan D. Kennedy and Robert A. Toth as a Class III directors.

· Proposal 2 - To ratify the appointment of BDO USA, LLP as our independent registered public accounting firm, for the year ending December 31, 2014.

· Proposal 3 – To hold an advisory vote on executive compensation (“Say-on-Pay”).

· Proposal 4 – To approve an amendment to the 2008 Stock Incentive Plan to increase the number of shares of common stock subject to the plan by 130,000.

and

· To act upon such other matters as may properly come before our annual meeting.

Our Board of Directors has set the close of business on April 4, 2014 as the record date for the determination of shareholders entitled to receive notice of and to vote at our 2014 Annual Shareholders' Meeting or any adjournment(s) thereof.

By order of our Board of Directors,

J. Stanley Fredrick
Chairman of the Board of Directors

Coppell, Texas
April 15, 2014

IMPORTANT

Whether or not you expect to attend the 2014 Annual Shareholders' Meeting, we strongly urge you to cast your vote by telephone or through the Internet by following the instructions included on the Notice of Internet Availability of Proxy Materials that you received, or if you received a paper copy of the proxy card, to mark, date, sign and return the proxy card in the envelope provided, prior to the meeting on May 28, 2014, to help ensure the presence of a quorum for the meeting and to save the expense and extra work of additional solicitation. Voting by proxy by any method prior to the meeting will not prevent you from attending the 2014 Annual Shareholders' Meeting or revoking your prior vote and voting at the 2014 Annual Shareholders' Meeting.

In accordance with rules promulgated by the SEC, we are providing access to our proxy materials, including this proxy statement and our annual report on Form 10-K, for the year ended December 31, 2013, over the Internet. As a result, we are mailing to many of our shareholders a Notice of Internet Availability of Proxy Materials instead of a

paper copy of our proxy materials. The notice contains instructions on how to access those proxy materials over the Internet, as well as instructions on how to request a paper copy of our proxy materials. All shareholders who do not receive a notice will receive a paper copy of our proxy materials by mail. We believe that this process reduces the environmental impact and lowers the costs of printing and distributing our proxy materials.

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MANNATECH, INCORPORATED
600 South Royal Lane, Suite 200
Coppell, Texas 75019

PROXY STATEMENT FOR OUR 2014 ANNUAL SHAREHOLDERS' MEETING
TO BE HELD ON MAY 28, 2014

GENERAL INFORMATION ABOUT OUR 2014 ANNUAL SHAREHOLDERS' MEETING

General Information

Our Board of Directors (the "Board") is soliciting the enclosed proxy for use at our 2014 Annual Shareholders' Meeting to be held on May 28, 2014 at 9:00 a.m., Central Daylight Time, at the Grapevine Convention Center located at 1209 South Main Street, Grapevine, Texas. The Notice of Internet Availability of Proxy Materials is being mailed or delivered on or about April 17, 2014, to shareholders of record owning our common stock on the close of business on April 4, 2014. Paper copies of our proxy materials are being mailed or delivered on or about April 17, 2014, to shareholders of record who have previously requested to receive paper copies of proxy materials. The list of frequently asked questions is attached to this proxy statement as Appendix A. Unless otherwise stated, all references in this proxy statement to "Mannatech," the "Company," "us," "our," or "we" are to Mannatech, Incorporated, a Texas corporation.

Shareholders Entitled to Vote

Shareholders who owned our common stock as of the close of business on April 4, 2014, the record date, are called "shareholders of record" and are entitled to vote at the 2014 Annual Shareholders' Meeting. As of April 4, 2014, we had 2,654,913 outstanding shares of our common stock, \$0.0001 par value per share, which is our only class of outstanding voting securities. As of April 4, 2014, we had 1,285 shareholders of record. Each share of our common stock entitles a shareholder to one vote. A complete list of direct shareholders entitled to vote at the 2014 Annual Shareholders' Meeting will be available for examination by shareholders for purposes pertaining to the 2014 Annual Shareholders' Meeting at our corporate headquarters in Coppell, Texas during normal business hours from May 16, 2014 until May 27, 2014. The shareholder list will also be available for review prior to and during the 2014 Annual Shareholders' Meeting to be held on May 28, 2014. A shareholder who wants to examine the list prior to our Annual Shareholders' Meeting should arrange an appointment by contacting our Investor Relations department at (972) 471-6512.

Voting in Person

If you are a shareholder of record and plan to attend the 2014 Annual Shareholders' Meeting, you may deliver your completed and signed proxy card in person. If a broker or bank holds your Mannatech shares in street name, and you wish to vote in person at the 2014 Annual Shareholders' Meeting, you will need to obtain a legal proxy form from your broker or bank that holds your shares of record and you must bring that document to the 2014 Annual Shareholders' Meeting.

Voting by Proxy

The proxy process is the means by which shareholders can exercise their rights to vote for the election of directors and other strategic corporate proposals. The notice of meeting and this proxy statement provide notice of a scheduled shareholder meeting, describe the directors presented for re-election, include information regarding the selection of BDO USA, LLP as our independent registered public accounting firm for 2014 and include other information required to be disclosed to shareholders. Shareholders may vote by telephone, through the Internet, or by returning a proxy

card, without having to attend the shareholder meeting in person.

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By executing a proxy, you authorize Larry A. Jobe, to act as your proxy to vote your shares in the manner that you specify. The proxy voting mechanism is vitally important to us. In order for us to obtain the necessary shareholder approval of proposals, a “quorum” of shareholders (a majority of the issued and outstanding shares of common stock as of the record date entitled to vote) must be represented at the meeting in person or by proxy. Since few shareholders can spend the time or money to attend shareholder meetings in person, voting by proxy is necessary to obtain a quorum and complete the shareholder vote. It is important that you attend the meeting in person or grant a proxy to vote your shares to assure a quorum is present so corporate business may be transacted. If a quorum is not present, we must postpone the meeting and solicit additional proxies; this is an expensive and time-consuming process that is not in the best interest of the Company or our shareholders.

Properly executed votes by proxy received prior to or at the 2014 Annual Shareholders’ Meeting on May 28, 2014 or at any adjournment(s) or postponement(s) thereof will be counted by Broadridge Financial Solutions, Inc., our Inspector of Elections. If a shareholder specifies how such shareholder’s proxy-vote is to be cast on any business to come before the meeting, such proxy-vote will be voted in accordance with such specifications. If no specification is made on a properly executed proxy card, the shareholder’s vote by proxy will be voted “FOR” each of our 4 proposals consistent with the recommendations made by the Board.

Revoking or Changing a Proxy

A shareholder may revoke a vote by proxy at any time prior to the 2014 Annual Shareholders’ Meeting. If you are a shareholder of record with direct ownership over your Mannatech common stock, your proxy can be revoked by (i) timely delivery of a written revocation delivered to Erin Barta, General Counsel, and Corporate Secretary, Mannatech, Incorporated, 600 South Royal Lane, Suite 200, Coppell Texas 75019; (ii) submission of another valid proxy bearing a later date; or (iii) attendance at the 2014 Annual Shareholders’ Meeting in person and notice to the Inspector of Elections that you intend to vote your shares in person. If your Mannatech shares are held in street name by a broker or bank (“broker”), you must contact your broker in order to revoke your proxy, but generally, you may change your vote by submitting new voting instructions to your broker, trustee or nominee, or, if you have obtained a legal proxy from your broker or nominee giving you the right to vote your shares, by attending the 2014 Annual Shareholders’ Meeting and voting in person.

Effects of Not Voting

The effect of not voting depends on how you own your shares. If you own shares directly, as a holder of record, rather than indirectly through a broker of record, your unvoted shares will not be represented at our meeting and will not count toward the quorum requirement. Assuming a quorum is obtained, your unvoted shares will not affect whether a proposal is approved or rejected. If you own shares through a broker and do not vote, your broker may represent your shares at the meeting for purposes of obtaining a quorum. As described below, if you own your shares through a broker and you do not vote, your broker may or may not vote your shares, depending upon the proposal.

If you own your shares through a broker and you do not vote, your broker may vote your shares at its discretion on “routine matters.” However, with respect to other proposals, a broker may not vote a non-voting shareholder’s shares. With respect to proposals on which a broker may not vote a non-voting shareholder’s shares, the aggregate number of non-voted shares is reported as “broker non-votes” (shares held by brokers or nominees for which they have no discretionary power to vote on a particular matter and have received no instructions from the beneficial owners or persons entitled to vote) and counted only for purposes of determining a quorum.

If you do not vote your shares on Proposal 1 (Election of Director), Proposal 3 (“Say-on-Pay” Advisory Vote) and Proposal 4 (Incentive Plan Amendment), your brokerage firm cannot vote them for you and they will remain unvoted. Therefore, it is very important that you vote your shares for all proposals. Proposal 2 (Ratification of Auditors) set forth in this proxy statement is a routine matter on which brokers will be permitted to vote your shares at the broker’s

discretion if you do not provide your broker with instructions on how to vote on this matter.

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Direct Ownership

For the purpose of determining how to vote your shares at the 2014 Annual Shareholders' Meeting, registered holders of record are deemed to have "direct ownership" over their Mannatech shares if they hold their shares directly in their name. This is typically evidenced by the receipt of our mailings directly from us or from our transfer agent, Computershare.

Beneficial Ownership

For the purposes of determining how to vote your shares at the 2014 Annual Shareholders' Meeting, you are deemed to have "beneficial ownership" over your Mannatech shares if you: (i) previously deposited your stock certificates with a broker; (ii) purchased your shares directly through a broker; or (iii) sent your stock certificates to a broker to be deposited into your brokerage account. Beneficial ownership is typically evidenced by a shareholder's receipt of our mailings from either a broker or through a solicitor, which is usually Broadridge Financial Solutions, Inc.

As a beneficial owner, a shareholder still holds Mannatech shares, but neither we nor our transfer agent has access to any list of individual shareholders' names from the various brokers of record. The only information our transfer agent has concerning shareholders who own stock through a broker is the broker's name, the aggregate total number of shares held by each broker on behalf of their clients, and the aggregate number of votes cast for any of our proposals.

WE CAUTION OUR SHAREHOLDERS THAT each brokerage firm has a unique set of voting instructions. As a result, a shareholder should always read all the information provided in each of the proxy information packets received and follow the specific voting instructions enclosed in each packet with respect to applicable telephone numbers, Internet addresses, mailing addresses, and attending or voting at the 2014 Annual Shareholders' Meeting.

If a shareholder receives more than one proxy information packet, such shareholder's shares are registered in more than one account. Again, remember that each proxy information packet may have different voting instructions, account or control numbers, mailing addresses, Internet addresses, and telephone numbers. As a result, each shareholder should be cautioned to use only the set of voting instructions, account and control numbers, addresses, and telephone numbers provided in such shareholder's proxy information packet to ensure such shareholder's vote for all of its owned shares is properly included in the tabulation of votes for our meeting.

Beneficial shareholders are also instructed to read their proxy-voting card instructions given to them by their brokers or their brokers' solicitors prior to the meeting in order to obtain instructions on how to vote at the meeting. If a beneficial shareholder does not follow the brokers' specific instructions, our Inspector of Elections is not allowed to count such beneficial shareholder's vote by ballot at the 2014 Annual Shareholders' Meeting.

Tabulating the Votes

A representative from Broadridge Financial Solutions, Inc., which will act as our Inspector of Elections, is responsible for tabulating the votes for the 2014 Annual Shareholders' Meeting. The presence, in person or by proxy, of the holders of at least a majority of the shares of our common stock outstanding as of April 4, 2014, our record date, is necessary to establish a quorum for the 2014 Annual Shareholders' Meeting. Abstentions and "broker non-votes," if any, will be counted as shares present and entitled to vote for purposes of determining a quorum for the 2014 Annual Shareholders' Meeting. A "broker non-vote" occurs when brokers holding shares in "street name" have not received voting instructions from the beneficial owner and either chooses not to vote those shares on a routine matter at the 2014 Annual Shareholders' Meeting or is not permitted to vote those shares on a non-routine matter. If a proxy-voting card is signed by the shareholder but submitted without specific voting instructions, the shareholder's vote will automatically be counted as a vote "FOR" Proposal 1 (Election of Director), Proposal 2 (Ratification of Auditors), Proposal 3 ("Say-on-Pay" Advisory Vote) and Proposal 4 (Incentive Plan Amendment). If your shares are held in "street

name” and you do not provide specific voting instructions to your broker, then your shares will not be included in the vote for Proposal 1 (Election of Director), Proposal 3 (“Say-on-Pay” Advisory Vote) or Proposal 4 (Incentive Plan Amendment), but will be voted at the discretion of your broker with respect to Proposal 2 (Ratification of Auditors).

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For Proposal 1 (Election of Director) — Assuming a quorum is obtained, our Class III directors will be elected by a plurality of the shares represented, in person or by proxy, at the 2014 Annual Shareholders’ Meeting and entitled to vote. This means that the two nominees receiving the highest number of affirmative votes at the meeting will be elected as our two Class III directors. Votes marked “FOR ALL” will be counted in favor of both nominees. Votes marked “WITHHOLD ALL” will be counted against both nominees. To specify differently, a shareholder must check the “FOR ALL EXCEPT” box and then write the names of the nominees for whom the shareholder wishes to vote against. Votes marked “WITHHOLD ALL” have no effect on the vote since a plurality of the votes is required for the election of each nominee. Shareholders may not abstain from voting with respect to the election of directors.

A shareholder cannot write-in the names of additional nominees when voting by proxy. However, at the meeting, shareholders of record will be allowed to write-in additional names of nominee(s) on the ballot. To write-in a nominee on the ballot, the shareholder will need to check the “FOR ALL EXCEPT” box and identify each of the nominees for which the shareholder does not wish to vote in the space provided. The shareholder will then be allowed to write-in only as many nominees as the shareholder has withheld votes from. For example, if there are a total of two nominees listed on the ballot and the shareholder wishes to withhold its vote for one of the two nominees, the shareholder should list the name of the one nominee for whom the vote is withheld and write-in one additional name for nominees to the Board.

(THE BOARD RECOMMENDS A VOTE “FOR ALL” PROPOSAL 1.)

For Proposal 2 (Ratification of Auditors) — If a quorum is obtained, and a majority of the shares represented, in person or by proxy, at the 2014 Annual Shareholders’ Meeting and entitled to vote, are in favor of Proposal 2, the ratification of the appointment of our independent registered public accounting firm for the year ended December 31, 2014, will be approved. Votes marked “FOR” Proposal 2 will be counted in favor of the ratification of the appointment of our independent registered public accounting firm for the year ended December 31, 2014. An abstention from voting on Proposal 2 will not be voted on that item, although it will be counted for purposes of determining the number of shares represented and entitled to vote. Accordingly, an “ABSTENTION” will have the same effect as a vote “AGAINST” Proposal 2.

(THE BOARD RECOMMENDS A VOTE “FOR” PROPOSAL 2.)

For Proposal 3 (“Say-on-Pay” Advisory Vote) — If a quorum is obtained, and a majority of shares represented, in person or by proxy, at the 2014 Annual Shareholders’ Meeting and entitled to vote, are in favor of Proposal 3 the current executive compensation program will be approved by shareholders on an advisory basis. Votes marked “FOR” Proposal 3 will be counted in favor of the current executive compensation program. An abstention from voting on Proposal 3 will not be voted on that item, although it will be counted for purposes of determining the number of shares represented and entitled to vote. Accordingly, an “ABSTENTION” will have the same effect as a vote “AGAINST” Proposal 3. “Broker non-votes” are not considered shares entitled to vote for purposes of Proposal 3 and thus will have no effect on the outcome of the approval, on an advisory basis, of our executive compensation program.

(THE BOARD RECOMMENDS A VOTE “FOR” PROPOSAL 3.)

For Proposal 4 (Incentive Plan Amendment) — If a quorum is obtained, and a majority of the shares represented, in person or by proxy, at the 2014 Annual Shareholders’ Meeting and entitled to vote, are in favor of Proposal 4 (Incentive Plan Amendment), our 2008 Stock Incentive Plan will be amended to increase the number of shares of common stock subject to the plan by 130,000. Votes marked “FOR” Proposal 4 (Incentive Plan Amendment) will be counted in favor of amendment of the 2008 Stock Incentive Plan to increase the number of shares of common stock subject to the plan by 130,000. An abstention from voting on Proposal 4 will not be voted on that proposal, although it will be counted for purposes of determining the number of shares represented and entitled to vote. Accordingly, an “ABSTENTION” will have the same effect as a vote “AGAINST” Proposal 4. “Broker non-votes” are not considered shares

entitled to vote for purposes of Proposal 4 and thus will have no effect on the outcome of the approval of the amendment of the 2008 Stock Incentive Plan.

(THE BOARD RECOMMENDS A VOTE “FOR” PROPOSAL 4)

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Solicitation of Proxy-Votes

We may solicit proxy-votes through the mail, in person, and by telecommunications. We will bear all expenses in preparing, printing, and mailing the proxy materials to our shareholders.

Admission and Voting at Our 2014 Annual Shareholders' Meeting

Voting at the 2014 Annual Shareholders' Meeting is limited to shareholders of record having evidence of ownership as of the record date, April 4, 2014. If your shares are NOT held in your name, we may require you to show evidence of your ownership at our meeting. Evidence typically includes your proxy-voting card or your brokerage statement showing proof of stock ownership as of the close of business on April 4, 2014, such as your April 2014 brokerage statement or a printout of shares held at the close of April 4, 2014. At our 2014 Annual Shareholders' Meeting, shareholders of record will be given a ballot upon verification of stock ownership.

We will not allow any cameras or recording equipment in the meeting room. As a courtesy and as time permits, we will provide a brief question and answer period for our shareholders of record.

Shareholders of record will be given ballots upon verification of stock ownership. REMEMBER that beneficial shareholders must obtain a power of attorney form or legal proxy from their brokers prior to the meeting in order for their votes by ballot to be counted since their brokers may have already reported their shares as "broker non-votes". Prior to our May 28, 2014 meeting, beneficial shareholders are strongly urged to read their proxy-voting card instructions on how to vote at our 2014 Annual Shareholders' Meeting. They should also contact their brokers by the Monday prior to our 2014 Annual Shareholders' Meeting to ensure they obtain the proper paperwork in order to vote at our meeting. If a beneficial shareholder does not follow its broker's instructions, our Inspector of Elections will not count such shareholder's vote by ballot at the 2014 Annual Shareholders' Meeting. The instructions are usually located on the back of each proxy-voting card.

Shareholder Procedures for Nominating Board Members or Introducing Proposals

a) For the 2014 Annual Shareholders' Meeting

For the 2014 Annual Shareholders' Meeting, the deadline for recommending a nominee for nomination to the Board expired on December 31, 2013. A shareholder of record is prohibited from writing in nominees for the Board on their proxy-voting card. However, a shareholder of record may write-in nominees for the Board on its ballot at the 2014 Annual Shareholders' Meeting by following the instructions outlined above on page 4, under the heading "Tabulating the Votes." We reserve the right to reject, rule out-of-order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

The deadline for submitting written shareholder proposals that comply with all applicable provisions of Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and are intended to be presented at our 2014 Annual Shareholders' Meeting for inclusion in our proxy statement and proxy-voting card expired on December 27, 2013.

Subject and pursuant to Rule 14a-4(c)(1) under the Exchange Act, we have not been given notice of any shareholder proposals intended to be presented at the 2014 Annual Shareholders' Meeting without inclusion in our proxy statement. Because we did not receive notice of any shareholder proposals intended to be presented at the 2014 Annual Shareholders' Meeting by March 12, 2014, your properly executed proxy card will confer discretionary authority on the holder of your proxy to vote your shares, in the manner the holder so chooses, on any such shareholder proposals properly presented at the 2014 Annual Shareholders' Meeting. The Board reserves the right to reject, rule out-of-order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable

requirements. We also did not receive any nominees for directors from shareholders for the 2014 Annual Shareholders' Meeting.

b) For our 2015 Annual Shareholders' Meeting

Under our Fourth Amended and Restated Bylaws, dated August 8, 2001, as amended (our "Bylaws"), the Nominating/Governance and Compliance Committee of our Board of Directors recommends all candidates for nomination to the Board. If a shareholder would like our Nominating/Governance and Compliance Committee to consider specific candidates for nomination to the Board, a shareholder should deliver written notice to our Chief Financial Officer at our United States corporate headquarters, located at 600 S. Royal Lane, Suite 200, Coppell, Texas 75019, or by fax at (972) 471-5642. Written notice of such proposed candidates for director should be delivered no later than December 31, 2014 to allow the Board time to consider such persons for nomination at our 2015 Annual Shareholders' Meeting and to include nominees in our 2015 proxy statement and form of proxy. The written notice should include the candidates' full name, age, biographical background, and qualifications.

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Our Chief Financial Officer is required to forward all received written notices to our Nominating/Governance and Compliance Committee. Our Nominating/Governance and Compliance Committee consists of four independent directors who review each proposed candidate and submit a recommended list of proposed candidates to the Board. The Board then approves a list of proposed candidates, which are the only nominees that are listed on our ballot, the proxy-voting card, and our proxy statement on Schedule 14A. We expect to file our 2015 proxy statement with the SEC on or before April 30, 2015.

Proposals by shareholders that comply with all applicable provisions of Rule 14a-8 under the Exchange Act and are intended to be presented at our 2015 Annual Shareholders' Meeting must be delivered in writing to our Chief Financial Officer at our United States corporate offices, on or before December 26, 2014, in order to be eligible for inclusion in our 2015 proxy statement and proxy-voting card.

Subject to and pursuant to Rule 14a-4(c)(1) under the Exchange Act if a shareholder proposal is intended to be presented at our 2015 Annual Shareholders' Meeting without inclusion in our 2015 proxy statement, and notice of such proposal is not submitted in writing to our Chief Financial Officer by March 11, 2015, then with regard to any such shareholder proposals, a properly executed proxy card for our 2015 Annual Shareholders' Meeting will confer discretionary authority on the holder of a shareholder's proxy to vote such shareholder's shares in the manner the proxy holder so chooses. However, the Board reserves the right to reject, rule out-of-order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

A copy of our Bylaws is published on our corporate website or may be obtained upon written request to our General Counsel, and Corporate Secretary, Mrs. Erin K. Barta, at our United States headquarters located at 600 S. Royal Lane, Suite 200, Coppel, Texas 75019. In addition, our Bylaws were furnished as Exhibits 3.2 and 3.1 to our Form 10-K and Form 8-K, respectively, filed with the SEC on March 16, 2007 and December 6, 2007, respectively.

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PROPOSAL 1 — ELECTION OF DIRECTORS

Our Bylaws provide for a classified Board, divided into three staggered classes – I, II, and III. The terms of office for each of these classes are scheduled to expire on the date of our annual shareholders’ meeting in 2015, 2016, and 2014, respectively. Class III is comprised of two directors with both Class III board seats being up for election at the 2014 Annual Shareholders’ Meeting.

Nominees. The Board has nominated Messrs. Alan D. Kennedy and Robert A. Toth as nominees for election as our Class III directors. Once elected, our Class III directors’ term will expire on the earlier of the date of our 2017 Annual Shareholders’ Meeting or the date of such director’s disqualification, resignation, death, or removal. The nominee’s biographical information is as follows:

Alan D. Kennedy has served as a Class III director since June 2002 and he is the Chairman of the Science Committee. His current term as director expires in 2014. Mr. Kennedy has over 30 years experience with various direct selling companies. From 1998 until his retirement in December 2001, he served as President Worldwide for Tupperware Corporation, a publicly traded company that distributes and sells various products in over 100 countries, primarily through direct selling channels. Since retiring, Mr. Kennedy continues to serve as a consultant to Tupperware Corporation. From 1989 to 1996, he served as President and Chief Executive Officer of Nature’s Sunshine Products, Inc., a publicly traded, network marketing company that manufactures and markets nutritional and personal care products worldwide. From 1986 to 1989, Mr. Kennedy provided various consulting services to several direct selling companies. From 1982 to 1986, he served as Vice President of Sales Development for Avon Products, Inc., a publicly traded, multinational manufacturer and distributor of cosmetics, toiletries, jewelry, chemicals and clothing. He received a B.A. degree, with honors, in Economics from Colgate University, in Hamilton, New York. His professional affiliations include serving as Chairman of the Direct Selling Association from 1995 to 1996 and serving as Chairman of the Direct Selling Education Foundation from 1996 to 1997. In 2004, Mr. Kennedy was inducted into the Direct Selling Association’s highest honor, the “Hall of Fame.” He serves on the Board of Directors of the Direct Selling Education Foundation and serves on the Board of Regents for Mercersburg Academy, a private secondary school in Mercersburg, Pennsylvania.

Robert A. Toth has served as a Class III director since March 2008 and he is the Chairman of the Compensation and Stock Option Plan Committee. His current term as director expires in 2014. Mr. Toth is Co-founder and Chairman of Tatra Spring LLC, a supply chain services company based in Poland. He is a director of the Knowtions Company, a performance support systems software firm based in Ringoes, New Jersey. Since 2006, he has worked in venture capital as a private investor focused on new business startups in the technology sector. Mr. Toth has over 27 years of direct selling experience, most recently as President of Avon International from 2004 to 2005. In that capacity, his operations included over 120 countries with annual revenues in excess of \$5.5 billion. Mr. Toth began his Avon career in customer service in 1978, then moved to U.S. sales and operations and was promoted to U.S. Director of Sales in 1989. He transitioned to Avon International in 1991 as Director of New Business Development, where he played a lead role in Avon’s market entry plan for Russia. He was based in Warsaw from 1993 to 1997 as Avon’s President of Central and Eastern Europe, where he established and led Avon Poland. From 1997 to 2004, Mr. Toth was based in London where he held a number of senior management positions including Group Vice President, Eastern Europe, Middle East and Africa (1997-1999), Senior Vice President, Europe, Middle East and Africa (1999-2002) and Executive Vice President for Asia-Pacific, Europe, Middle East and Africa (2002-2003). Mr. Toth graduated from LaSalle University in 1974 with a B.A. in Business Administration and was an officer in the U.S. Marine Corps from 1975 to 1978.

(THE BOARD RECOMMENDS A VOTE “FOR ALL” TO ELECT BOTH OF THE NOMINEES.)

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PROPOSAL 2 — RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Neither our Articles of Incorporation, Bylaws nor any other applicable legal requirements require shareholder ratification of the selection of our independent registered public accounting firm. However, the Board, as a matter of good corporate governance, has always sought shareholder ratification of the appointment of our independent registered public accounting firm. The Board is seeking shareholder ratification of the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014. In the event our shareholders do not ratify our appointment of BDO USA, LLP, the Audit Committee and the Board will reconsider the appointment.

Our Audit Committee appoints our independent registered public accounting firm on an annual basis. The decision is based on a number of factors including the scope of the audit, the independence of the auditors, the estimated audit fees, and any non-auditing services that are performed by the independent registered public accounting firm.

Representatives from BDO USA, LLP will attend the 2014 Annual Shareholders' Meeting and will have the opportunity to make a statement, if they so desire. They will also be available to respond to any appropriate questions from our shareholders.

Pre-Approval Policies and Procedures

Our Audit Committee must preapprove all services provided by our independent registered public accounting firm. The non-audit services, specified in Section 10-A(g) of the Exchange Act may not be provided by our independent registered public accounting firm.

Each year, the approval of the estimated annual audit, audit-related services, and routine tax services takes place at an Audit Committee meeting. In addition, during the course of the year, requests for unforeseen or additional allowable services to be provided by our independent registered public accounting firm must be preapproved by our Audit Committee, except for those qualifying for the "de minimis exception." The de minimis exception provides that the pre-approval requirements for certain non-audit services may be waived if:

- the aggregate amount of such non-audit services provided constitutes not more than 5% of the total fees paid to our independent registered public accounting firm in the calendar year that such non-audit services are provided;
- such services were recognized as non-audit services at the time they were provided; and
- such services are promptly brought to the attention of our Audit Committee.

Our Audit Committee may delegate to its Chairman the authority to grant pre-approvals. In such event, the decisions of the Chairman of the Audit Committee regarding pre-approvals will then be presented to our full Audit Committee at the next scheduled meeting.

Our independent registered public accounting firm provides a revised estimate for the year, by project, for all planned and approved services to our Chief Financial Officer prior to each Audit Committee annual planning meeting. The revised estimate is then reviewed at our Audit Committee annual planning meeting.

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Fees Paid to Our Independent Registered Public Accounting Firm

For the years ended December 31, 2013 and 2012, we were billed the following fees by our current independent registered public accounting firm, BDO USA, LLP as follows:

Type of Service	2013	2012
	(in thousands)	
Audit Fees, including the audit of our consolidated financial statements and annual report on Form 10-K, review of our quarterly financial statements and quarterly reports filed on Form 10-Q, and international statutory audits	\$714	\$747
Audit-Related Fees, including fees related to the annual audit of employee 401(k) benefit plan	24	16
Tax Fees, including fees for tax services, tax advice, transfer pricing, state, and international tax consultation	150	125
All Other Fees, related to all other services including expatriation issues and miscellaneous consulting and advisory services	—	—
Total Fees	\$888	\$888

The “de minimis exception” described above was not used for any fees paid to BDO USA, LLP in 2013 and 2012. All fees were pre-approved by our Audit Committee. As of March 25, 2014, we were advised by BDO USA, LLP that neither the firm, nor any member of its firm, had any direct or indirect financial interest in any capacity in our Company. The members of our Audit Committee believe the payment of all fees set forth above did not prohibit BDO USA, LLP from maintaining its independence.

(THE BOARD RECOMMENDS A VOTE “FOR” THE RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED ACCOUNTING FIRM.)

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PROPOSAL 3 — ADVISORY VOTE ON EXECUTIVE COMPENSATION (“SAY-ON-PAY”)

In accordance with Section 14A(a)(1) of the Exchange Act implementing Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, we are submitting to our shareholders the opportunity to vote on a non-binding advisory resolution to approve the compensation program for our Named Executive Officers, which is described in the section titled “Executive Compensation” in this Proxy Statement. At our 2013 Annual Shareholders’ Meeting, shareholders recommended, on an advisory basis, an annual frequency of shareholder advisory votes on executive compensation. The Company intends to follow the shareholders’ recommendation and include a shareholder advisory vote on executive compensation on an annual basis until the next required “Say-on-Frequency” vote. Accordingly, the following resolution is submitted for a shareholder advisory vote at the 2014 Annual Shareholders’ Meeting:

“RESOLVED, that the shareholders of Mannatech, Incorporated approve, on an advisory basis, the overall compensation of the Company’s Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K of the regulations promulgated by the SEC, including the section entitled “Executive Compensation,” and the accompanying compensation tables and the corresponding narrative discussion and footnotes set forth in the Proxy Statement for the 2014 Annual Shareholders’ Meeting.”

As described in the section titled “Executive Compensation” our executive compensation program is designed to provide a competitive level of compensation necessary to attract, motivate, and retain talented and experienced executives and to motivate them to achieve short-term and long-term objectives that enhance shareholder value.

This vote is merely advisory and will not be binding upon the Company and the Board. However, the Compensation and Stock Option Plan Committee, which is responsible for designing and administering the Company’s executive compensation program, values constructive dialogue on executive compensation and other important governance topics with the Company’s shareholders and encourages all shareholders to vote their shares on this matter.

(OUR BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” “SAY-ON-PAY”.)

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PROPOSAL 4 — INCENTIVE PLAN AMENDMENT

Our shareholders are asked to approve an amendment to the 2008 Stock Incentive Plan (the “2008 Plan”) to increase the number of shares of common stock subject to the 2008 Plan by 130,000. The 2008 Plan was adopted by our Board on February 22, 2008 and approved by the Company’s shareholders at the 2008 Annual Shareholders’ Meeting held on June 18, 2008. Previously, the Company’s shareholders approved amendments to the 2008 Plan at the Company’s 2010 and 2012 Annual Shareholders’ Meetings. In 2010, the shareholders approved amendments to permit a one-time stock option exchange program. In 2012, they approved an amendment to increase the total number of shares issuable under the 2008 Plan by 100,000.

On February 21, 2014, the Board approved an amendment to the 2008 Plan, subject to shareholder approval, to increase the number of shares reserved for issuance by 130,000, thereby increasing the total number of shares issuable under the 2008 Plan from 270,923 to 400,923. The total number of shares issuable under the 2008 Plan includes shares subject to awards granted under our 2000 Stock Option Plan (the “Prior Plan”), which was replaced by the 2008 Plan, that were outstanding on the effective date of the 2008 Plan and that were subsequently terminated or forfeited, or that expired by their terms and thereafter returned to the pool of shares available for grant and issuance under the 2008 Plan. Subject to shareholder approval, the Company plans to register the additional 130,000 shares reserved under the 2008 Plan on a Registration Statement on Form S-8.

As of the record date, options to purchase an aggregate of 232,660 shares of common stock were outstanding, no shares of unvested restricted stock awards were outstanding, and 20,599 shares were available for grants of awards under the 2008 Plan.

The following description of the 2008 Plan is a summary of its key provisions and is qualified by reference to the complete text of our 2008 Plan. A copy of the 2008 Plan (as proposed to be amended) is attached to this proxy statement as Appendix B.

General Description. The purpose of our 2008 Plan is to enhance our ability and the ability of our affiliates to obtain and retain the services of the types of employees, consultants, and directors (collectively the “Participants”) who will contribute to our long-range success and to provide incentives that are linked directly to increases in share value, which will inure to the benefit of all of our shareholders. Pursuant to the 2008 Plan, eligible recipients may be granted one or more of the following awards: stock options and restricted stock (each an “Award”). Options granted under the 2008 Plan may be either “incentive stock options,” as defined in Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”), or non-statutory stock options.

Administration. The Board administers the 2008 Plan.

Shares Reserved. The shares with respect to which Awards may be made under the 2008 Plan are authorized but unissued shares of our common stock and shares of our common stock that we have reacquired. The maximum aggregate number of shares of common stock that may be issued upon exercise of all Awards under the 2008 Plan is currently 200,000 shares plus any shares that were reserved under the Prior Plan but not yet subject to issued awards and any shares of our common stock underlying awards granted pursuant to the Prior Plan prior to the effective date of the 2008 Plan that expire, are forfeited or terminate for any reason without having been exercised in full.

Eligibility. Awards other than incentive stock options may be granted to the employees, directors, and consultants, of the Company and our parent companies and subsidiaries. Incentive stock options may be granted only to the employees of the Company and its subsidiaries. The Board, in its discretion, approves all Awards to be granted under the 2008 Plan. As of April 15, 2014, we had approximately 300 employees and six non-employee directors who would be eligible to participate in the 2008 Plan.

Transferability of Awards. Unless otherwise determined by the Board, most Awards granted under the 2008 Plan are not transferable other than by a domestic relations order, the laws of descent and distribution or certain limited not-for-value transfers to family members.

Limitation on Awards. Under the 2008 Plan, no employee may be granted Awards covering more than 50,000 shares during any single fiscal year.

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Stock Options

Exercise Price. The Board determines the exercise price of options at the time the options are granted. Subject to certain exceptions, no stock option, including an incentive stock option, may have an exercise price less than the fair market value of a share of the Company's common stock on the date of grant. The exercise price of an incentive stock option granted to a ten percent shareholder may not be less than 110% of the fair market value of a share of the Company's common stock on the date of grant of such option. The fair market value of a share of the Company's common stock is generally determined to be the closing sales price as quoted on the NASDAQ Global Market for the date the value is being determined. As of April 4, 2014, the market value of a share of the Company's common stock was \$18.11.

Exercise of Option; Form of Consideration. The Board determines at the time of grant when options become exercisable. The means of payment for shares issued upon exercise of an option include cash, certified or bank check, or wire transfer, and such other payment methods as may be specified by the Board, including tender of Company shares previously owned by the exercising optionholder or broker-assisted same-day sale.

Term of Option. The term of an option may not be more than ten years from the date of grant. The term of an incentive stock option granted to a ten percent shareholder may not be more than five years from the date of grant. No option may be exercised after the expiration of its term.

Vesting. Each option granted under the 2008 Plan will become vested and exercisable pursuant to the vesting schedule set forth in the applicable option agreement, as determined by the Board.

Termination of Service. If an optionholder's service to the Company as an employee, consultant, or director terminates for any reason other than for death, disability, or for cause, the optionholder's vested options generally will remain exercisable until the earlier of three months following the termination of the optionholder's service or the expiration of the term of the option as set forth in the applicable option agreement. In the event that an optionholder dies or becomes disabled, the optionholder's vested options generally will remain exercisable until the earlier of twelve months following the termination of such optionholder's service or the expiration of the term of the option as set forth in the applicable option agreement. If an optionholder's service to the Company as an employee, consultant or director is terminated by the Company for cause, all of such optionholder's outstanding options, whether or not vested, will be forfeited and expire as of the beginning of business on the date of the termination of such optionholder's service for cause.

Repricing. Options may not be repriced, replaced, or regranted through cancellation or modification without shareholder approval.

Restricted Stock Awards

The Board may grant Awards of restricted stock, consisting of actual shares of the Company's common stock, at its discretion.

Restrictions. At the time a grant of restricted stock is made, the Board may establish a restricted period applicable to the restricted stock during which the shares of restricted stock may not be sold, assigned, transferred or otherwise disposed of. The restricted period may expire upon the passage of time or the attainment of performance objectives as the Board, in its sole discretion, determines.

Consideration. The consideration for Awards of restricted stock is paid either: i) in cash at the time of purchase or ii) in any other form that may be acceptable to the Board in its discretion including, without limitation, property, a stock for stock exchange or prior services that the Board determines have a value at least equal to the fair market value of

such restricted stock.

Vesting. Restricted stock granted under to the 2008 Plan will vest pursuant to the vesting schedule established in the applicable restricted stock award agreement. The Board at its discretion may provide for an acceleration of vesting in the terms of any restricted stock award agreement, at any time, including in the event a change in control of the Company occurs.

Termination of Service. If a grantee's service to the Company as an employee, consultant, or director terminates for any reason, the grantee generally will forfeit all shares of restricted stock which have not vested as of the date of such termination under the terms of the applicable restricted stock award agreement and will have no rights with respect to such shares of restricted stock.

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Transferability. Restricted stock is transferable by the holder thereof only upon such terms and conditions as set forth in the applicable restricted stock award agreement.

Repurchase Right. Each restricted stock award agreement may provide that, following the termination of a grantee's service to the Company as an employee, consultant, or director, the Company will have the right to repurchase such grantee's unvested shares of restricted stock acquired under the 2008 Plan. The Company's right to repurchase unvested restricted stock is exercisable at a price equal to the lesser of the purchase price at which such restricted stock award was acquired under the 2008 Plan or the fair market value of such restricted stock (if an award of restricted stock is granted solely in consideration of past services without payment of any additional consideration, the unvested restricted stock award will be forfeited without any repurchase). The restricted stock award agreement may specify the period of time following a termination of a grantee's service to the Company during which its right of repurchase may be exercised.

Adjustments on Changes in Capitalization, Merger, or Change in Control

Changes in Capitalization. In the event of any merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, stock split, dividend in property other than cash, liquidating dividend, combination of shares, exchange of shares, change in corporate structure, or other change to the Company's capital structure, appropriate equitable adjustments will be made to:

§ the aggregate number of shares of common stock or class of shares which may be purchased pursuant to Awards;

§ the number and/or class of shares of common stock covered by outstanding Awards;

§ the maximum number of shares of common stock with respect to which option awards may be granted to any single optionholder during any calendar year; and

§ the exercise price of any stock option in effect prior to such change.

Merger or Change in Control. In the event of a change in control, dissolution, liquidation or any corporate separation or division, including, but not limited to, a sale of all or substantially all of the assets of the Company or a merger or consolidation in which the Company is not the surviving entity, the Company, to the extent permitted by applicable law, but otherwise in the sole discretion of the Board, may provide for: (1) the continuation of all outstanding Awards (if the Company is the surviving entity), (2) the assumption of the 2008 Plan and all outstanding Awards by the surviving entity, (3) the substitution by the surviving entity of Awards with substantially the same terms for all outstanding Awards, (4) the cancellation of all outstanding Awards in exchange for consideration, or (5) the cancellation of all outstanding Awards without payment of any consideration.

Amendment and Termination of the 2008 Plan. The Board may amend, alter, suspend or terminate the 2008 Plan, or any part thereof, at any time and for any reason. However, it must obtain shareholder approval for any amendment to the 2008 Plan to the extent necessary and desirable to comply with any applicable laws of any securities exchange listing requirements. Generally, no such action by the Board or shareholders may alter or impair any Award previously granted under the 2008 Plan without the written consent of the grantee. The 2008 Plan will terminate on February 21, 2018, unless terminated earlier by the Board.

General Federal Income Tax Consequences of Options under the 2008 Plan

IRS Circular 230 Notice Requirement. This communication is not given in the form of a covered opinion, within the meaning of Circular 230 issued by the United States Secretary of the Treasury. Thus, we are required to inform you that you cannot rely upon any tax advice contained in this communication for the purpose of avoiding United States

federal tax penalties. In addition, any tax advice contained in this communication may not be used to promote, market or recommend a transaction to another party.

The following is a discussion of material United States federal income tax consequences to participants of the grant and exercise of stock options under the 2008 Plan. This discussion is based on statutory provisions, Treasury regulations thereunder, judicial decisions, and rulings of the Internal Revenue Service in effect on the date of this proxy statement. This discussion does not purport to be complete, and does not cover, among other things, state, local, or foreign tax treatment of participation in the 2008 Plan. Furthermore, differences in participants' financial situations may cause federal, state, and local tax consequences of participation in the 2008 Plan to vary.

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Non-Statutory Stock Options. Under current federal income tax law, the grant of a non-statutory stock option with an exercise price at or above fair market value under the 2008 Plan generally will have no federal income tax consequences to the Company or the participant. Generally, upon exercise of a non-statutory stock option, the excess of the fair market value of the Company's common stock at the date of exercise over the exercise price, which is referred to as the "Spread," is taxable to the participant as ordinary income. In general, subject to the possible limitations on deductibility under sections 162(m) and 280G of the Code for compensation paid to certain individuals, the Company should be entitled to deduct the same amount from its taxable income at the time of such inclusion.

The taxable income resulting from the exercise by an employee of a non-statutory stock option will constitute wages subject to withholding and the Company will be required to make whatever arrangements are necessary to ensure that funds equaling the amount of tax required to be withheld are available for payment, including the deduction of required withholding amounts from the employee's other compensation and requiring payment of withholding amounts as part of the exercise price.

Incentive Stock Options. There generally are no federal income tax consequences to the Company or the employee as a result of the grant of an incentive stock option. The optionholder generally also will not recognize income when the incentive stock option is exercised. However, this incentive stock option treatment is available only if the participant has been an employee of the Company or its subsidiaries within three months of the date of exercise. In addition, the Spread at exercise will be an "item of tax preference," which may give rise to "alternative minimum tax" liability for the taxable year in which the exercise occurs.

If the holder does not dispose of the acquired shares before the later of two years following the date of grant and one year following the date of exercise, the difference between the exercise price and the amount realized on disposition of the shares will be long-term capital gain or loss, as the case may be. Assuming these holding periods are satisfied, the Company will not be entitled to a deduction for federal income tax purposes in connection with the grant or exercise of the incentive stock option. If either or both of the holding periods are not satisfied and the holder disposes of the shares acquired on exercise of the incentive stock option less than two years from the date of grant or one year from the date of exercise (a "disqualifying disposition"), the holder generally will recognize ordinary compensation income in the year of disposition equal to the excess of the fair market value of the option shares at the time of exercise (or, if less, the amount realized on disposition) over the exercise price. In the event of such a disqualifying disposition, the Company generally should be entitled to a tax deduction equal to the amount treated as taxable compensation to the participant, subject to the possible limitations on deductibility under sections 162(m) and 280G of the Code for compensation paid to certain individuals.

Section 162(m) of the Code. In general, section 162(m) of the Code denies a publicly held corporation a deduction for federal income tax purposes for compensation exceeding \$1 million per year per person to its principal executive officer and the three other officers (other than the principal executive officer and principal financial officer) whose compensation is disclosed in its proxy statement as a result of their total compensation, subject to certain exceptions. The 2008 Plan is intended to satisfy an exception with respect to grants of options to these covered employees. We have attempted to structure the 2008 Plan in a manner that excludes the remuneration attributable to stock options from the \$1 million limitation. However, we have not requested a ruling from the Internal Revenue Service or an opinion of counsel regarding this issue. In addition, the Company reserves the authority to award non-deductible compensation as it deems appropriate.

Section 280G of the Code. Under certain circumstances, the granting or enhancement of awards, the accelerated vesting or exercise of stock options or the accelerated lapse of restrictions with respect to restricted stock awards in connection with a change in control (as defined in the 2008 Plan) could be deemed an "excess parachute payment" under the golden parachute tax provisions of section 280G of the Code. To the extent it is so deemed, the participant could be subject to a 20% excise tax and the Company could be denied a federal income tax deduction.

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New 2008 Plan Benefits

The number of Awards that will be received by or allocated to the Company's executive officers, directors, employees, and consultants under the 2008 Plan if the amendment were approved by shareholders is undeterminable because the Awards under the 2008 Plan are discretionary.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	232,660	\$ 16.54	20,599
Equity compensation plans not approved by security holders	0	\$ 0.00	0
Total	232,660	\$ 16.54	20,599

(OUR BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE INCENTIVE PLAN AMENDMENT.)

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CORPORATE GOVERNANCE

Overview

We are committed to maintaining the highest standards of business conduct and corporate governance, which we believe are essential to running our business efficiently and maintaining our integrity in the marketplace. We have adopted a code of business conduct and ethics for our directors, officers, and employees, which, in conjunction with our Articles of Incorporation, Bylaws, and Board of Directors committee charters, form the framework for our corporate governance. All of these documents are available on our corporate website at www.mannatech.com.

Summary of All Directors and Executive Officers

The following table sets forth certain information regarding our executive officers and directors, including their ages as of April 15, 2014:

Name	Age	Position
Robert A. Sinnott, M.N.S., Ph.D.	49	CEO and Chief Science Officer
S. Mark Nicholls	47	Chief Financial Officer
Ronald D. Norman	55	Treasurer
Alfredo Bala	53	President International, Executive Vice President, Chief Sales & Marketing Officer
J. Stanley Fredrick	75	Chairman of the Board of Directors
Gerald E. Gilbert	80	Independent Board Member
Larry A. Jobe	74	Independent Board Member
Alan D. Kennedy	83	Independent Board Member
Marlin Ray Robbins	68	Non-employee Board Member
Robert A. Toth	61	Independent Board Member

The following biographical information about our directors and executive officers listed above is in alphabetical order:

Alfredo (Al) Bala joined Mannatech in October 2007 as Senior Vice President, Global Sales. He was then named Executive Vice President, Sales in June 2011. Due to his involvement in Mannatech's global sales and marketing efforts, in January 2012, Mr. Bala was named Executive Vice President, Sales & Marketing. Mr. Bala was promoted in February 2014 to serve as President International, Executive Vice President, Chief Sales & Marketing Officer. Mr. Bala served as Chief Operating Officer of Britt Worldwide, LLC, one of the largest independent Amway network marketing organizations, from 1992 to 2006. While with Britt Worldwide, his main focus was providing motivation, training and tools for associates in the field in more than 65 countries across the globe. Mr. Bala was also heavily involved in the launch and re-launch of over 60 international markets, including BRICS markets (Brazil, Russia, India, China and South Africa), which propelled the Britt Worldwide international sales volume to more than \$500 million. Mr. Bala served as manufacturing plant manager for Bose Corporation from 1983 to 1992. He is conversant and/or fluent in more than 13 languages. Mr. Bala received an Associate Degree in Electrical Engineering from the Community College of Rhode Island.

J. Stanley Fredrick has served as a Class II director since September 2001. His current term as director expires in 2016. From November 2003 through January 2009, Mr. Fredrick served as the Lead Director for the Board. In January 2009, Mr. Fredrick was elected to serve as the Chairman of the Board of Directors. In 2003, Mr. Fredrick was a founding board member of Professional Bank in Dallas, Texas, a boutique bank that provided certain financial resources to its customers. He co-founded Cameo Couture, Inc., which operated as Colesce Couture, a distributor of intimate apparel, and Colony House, Inc., a private label cookware company, both of which operated through direct

selling channels. Mr. Fredrick also co-founded Irving National Bank Shares, a commercial bank holding company, and served as a consultant to the bank from 1994 until it was sold in 2000. Mr. Fredrick has been actively involved for over 38 years in the Direct Selling Association, a national trade association of leading firms that manufacture and distribute goods and services directly to consumers. He has served on the Direct Selling Association's Board of Directors and various committees thereof. From 1987 to 1988, Mr. Fredrick served as Chairman of the Direct Selling Association and from 1988 to 1990, he served as Chairman of the Direct Selling Education Foundation. He has been inducted into the Direct Selling Association's highest honor, the "Hall of Fame," as well as into the Direct Selling Education Foundation "Circle of Honor." Mr. Fredrick received a B.A. in English from Central State University, in Edmond, Oklahoma.

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Gerald E. Gilbert has served as a Class I director since June 2003 and he is the Chairman of the Nomination/Governance and Compliance Committee. His current term as director expires in 2015. A former Assistant U.S. Attorney, from 1968 until his retirement in December 2002, Mr. Gilbert practiced law with the international law firm of Hogan and Hartson L.L.P., now known as Hogan Lovells L.L.P. His legal and business expertise includes international trade, national trade associations, and various areas of consumer products. From 1968 to 1999, Mr. Gilbert served as General Counsel to the Direct Selling Association. Mr. Gilbert was the recipient of the “Hall of Fame Award,” which is the Direct Selling Association’s highest honor. He also served as General Counsel to the World Federation of Direct Selling Associations and the Tropical Forest Foundation. Mr. Gilbert served in the U.S. Naval Reserve from 1956 to 1992 and was promoted to Rear Admiral (Two Stars), the top ranking officer in the Naval Reserve JAG Corps. During his distinguished military service, Mr. Gilbert received numerous awards, including the “Legion of Merit.” He is also a Past National President of the Federal Bar Association. He received a B.A. degree in English from Denison University, in Granville, Ohio and a Juris Doctor from the University of Virginia School of Law, in Charlottesville, Virginia. Mr. Gilbert is a member of the State Bars of Virginia and the District of Columbia and is admitted to practice before the United States Supreme Court.

Larry A. Jobe has served as a Class I director since January 4, 2006. His current term as director expires in 2015. In February 2007, Mr. Jobe began serving as Chairman of our Audit Committee. Mr. Jobe serves as Chairman of Legal Network, Ltd., a firm he founded in 1993 that provides staffing and litigation support to law firms and corporate legal departments. He also currently serves as President and founder of P 1 Resources, LLC, which has provided engineering and light industrial staffing services to the construction industry since 1994. From 1991 to 1994, Mr. Jobe was Chairman and founder of Mitchell Jobe & Company, a provider of professional staffing services for government and industry. From 1973 to 1991, he served in various capacities, including as a member of the Executive Committee and Chairman of the Strategic Planning Committee with the accounting firm Grant Thornton LLP. In 1969, he was appointed by President Richard Nixon to serve as the Assistant Secretary of Commerce for Administration at the United States Commerce Department. Mr. Jobe currently serves as the Chairman of Independent Bank of Texas and as Chairman of the Audit Committee and a member of the Board of Directors of SWS Group, Inc., a Dallas-based New York Stock Exchange member. Mr. Jobe previously served as Chairman of the Audit Committee for U.S. Home Systems, Inc. until the company was sold in 2012. He received a B.B.A. degree in Accounting from the University of North Texas, in Denton, Texas. Mr. Jobe maintained an active Certified Public Accountant license from 1962 to 2002 and currently maintains his license on an inactive or retired status. Mr. Jobe serves as Chairman of the Dallas Seminary Foundation.

Alan D. Kennedy has served as a Class III director since June 2002 and he is the Chairman of the Science Committee. His current term as director expires in 2014. Mr. Kennedy has over 30 years experience with various direct selling companies. From 1998 until his retirement in December 2001, he served as President Worldwide for Tupperware Corporation, a publicly traded company that distributes and sells various products in over 100 countries, primarily through direct selling channels. Since retiring, Mr. Kennedy continues to serve as a consultant to Tupperware Corporation. From 1989 to 1996, he served as President and Chief Executive Officer of Nature’s Sunshine Products, Inc., a publicly traded, network marketing company that manufactures and markets nutritional and personal care products worldwide. From 1986 to 1989, Mr. Kennedy provided various consulting services to several direct selling companies. From 1982 to 1986, he served as Vice President of Sales Development for Avon Products, Inc., a publicly traded, multinational manufacturer and distributor of cosmetics, toiletries, jewelry, chemicals and clothing. He received a B.A. degree, with honors, in Economics from Colgate University, in Hamilton, New York. His professional affiliations include serving as Chairman of the Direct Selling Association from 1995 to 1996 and serving as Chairman of the Direct Selling Education Foundation from 1996 to 1997. In 2004, Mr. Kennedy was inducted into the Direct Selling Association’s highest honor, the “Hall of Fame.” He serves on the Board of Directors of the Direct Selling Education Foundation and serves on the Board of Directors of Regents for Mercersburg Academy, a private secondary school in Mercersburg, Pennsylvania.

S. Mark Nicholls joined Mannatech in December 2007, serving as Senior Tax Manager. More recently, he served as Vice President Treasury & Tax. In December 2011, he was promoted to Chief Financial Officer. Prior to joining Mannatech, Mr. Nicholls was Tax Director at Carter & Burgess, a large U.S. architectural and engineering firm, and Chief Financial Officer for The Cirrus Group, a real estate management and development company. Additionally, he spent 10 years working at such public accounting firms as PricewaterhouseCoopers and BDO Seidman. Mr. Nicholls received a B.B.A. degree in Finance in 1989 and a Master of Science in Taxation in 1991 from the University of Texas at Arlington. He is a Certified Public Accountant licensed in the State of Texas.

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Ronald D. Norman joined Mannatech in May 1996 and was named Treasurer in February 2014. Prior to his current position, he was promoted to Senior Vice President International in June 2011 and previously served for several years as Vice President of International Operations. From 1996 to 2005, he held various positions within Mannatech's finance department including Treasurer. Prior to joining Mannatech, Mr. Norman had 15 years of experience in public accounting, focusing on providing tax, accounting, finance and general business consulting services to entrepreneurial and growth stage companies with an emphasis on preparing these companies for entry into the public markets or preparing them for international expansion. Mr. Norman received both his B.S. and M.S. degrees from Baylor University. He is a Certified Public Accountant licensed in the State of Texas and is a member of the American Institute of Certified Public Accounts and Dallas Chapter of the Texas Society of Certified Public Accountants. Mr. Norman donates his time and expertise to various autism advocacy groups in the North Texas area including the DFW Center of Autism and the North Texas Chapter of the Autism Society of America. He and his family are volunteers for events sponsored by the Special Olympics.

Marlin Ray Robbins co-founded Mannatech and is a high-level independent associate. Mr. Robbins has served as a Class I director since June 2001 and his current term as director expires in 2015. From 1992 to 1995, Mr. Robbins served on the Board of Republic Bank/NCNB. Mr. Robbins also served as a member of the Grand Prairie Independent School District Board from 1991 to 1994 and served as its President from 1993 to 1994. Mr. Robbins has over 25 years of experience with various network marketing and direct selling companies. He holds multiple positions in our global associates' incentive network marketing system and is considered an expert regarding issues and critical needs related to building the success of our independent associates. Mr. Robbins has published a book related to his experience as an independent associate entitled *You Can Too*. He also helped to develop our global associate career and compensation plan. Mr. Robbins received a B.S. degree in Biology and Chemistry from Southwest Texas State University, in San Marcos, Texas. Mr. Robbins served in the active United States Army from 1969-1975 and as a helicopter pilot during the Vietnam War from 1971 to 1972. Mr. Robbins continued serving in the Army National Guard until 1983. During his service he was awarded thirteen air medals and the Bronze Star and reached the rank of Major.

Robert A. Sinnott, M.N.S., Ph.D. joined Mannatech in 2005 as Chief Science Officer, and became Co-CEO in 2009. As of January 2012, he became the sole CEO. During his tenure, Dr. Sinnott has served Mannatech to further its proprietary science, research and development, while initiating independent clinical trials that substantiate the Company's flagship Ambrotose product. He also directly oversees the Company's quality assurance/quality control, global regulatory affairs, legal department, human resources, and global supply chain. Dr. Sinnott has held scientific and business positions in both industry and government over the past 25 years with experience in life sciences, chemistry, biotechnology and nutrition. For the past 18 years, he has worked directly in the dietary supplement industry both in the United States and internationally. From 2006 to 2011, Dr. Sinnott held a seat on the Board of Directors of the Council of Responsible Nutrition's (the "CRN"), the leading trade association representing ingredient suppliers and manufacturers of dietary supplements. From 2009 to 2011, Dr. Sinnott also served as chair of the Senior Scientific Advisory Committee (SSAC) for the CRN. The SSAC is comprised of the highest-ranking scientific officers of member companies. Its role is to assist the CRN with development and implementation of scientific strategy relating to scientific publications, scientific policies and programs by government agencies. Dr. Sinnott earned his B.S. degree in Biological Sciences, a Masters in Natural Science, and a Ph.D. in Plant Sciences from Arizona State University, in Tempe, Arizona. His focus was on applied biological sciences, including biotechnology and plant medicinal chemistry.

Robert A. Toth has served as a Class III director since March 2008 and he is the Chairman of the Compensation and Stock Option Plan Committee. His current term as director expires in 2014. Mr. Toth is Co-founder and Chairman of Tatra Spring LLC, a supply chain services company based in Poland. He is a director of the Knowtions Company, a performance support systems software firm based in Ringoes, New Jersey. Since 2006, he has worked in venture capital as a private investor focused on new business startups in the technology sector. Mr. Toth has over 27 years of direct selling experience, most recently as President of Avon International from 2004 to 2005. In that capacity, his

operations included over 120 countries with annual revenues in excess of \$5.5 billion. Mr. Toth began his Avon career in customer service in 1978, then moved to U.S. sales and operations and was promoted to U.S. Director of Sales in 1989. He transitioned to Avon International in 1991 as Director of New Business Development, where he played a lead role in Avon's market entry plan for Russia. He was based in Warsaw from 1993 to 1997 as Avon's President of Central and Eastern Europe, where he established and led Avon Poland. From 1997 to 2004, Mr. Toth was based in London where he held a number of senior management positions including Group Vice President, Eastern Europe, Middle East and Africa (1997-1999), Senior Vice President, Europe, Middle East and Africa (1999-2002) and Executive Vice President for Asia-Pacific, Europe, Middle East and Africa (2002-2003). Mr. Toth graduated from LaSalle University in 1974 with a B.A. in Business Administration and was an officer in the U.S. Marine Corps from 1975 to 1978.

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Director Qualifications

The Board respects its responsibility to provide oversight, counseling and direction to the management in the interest, and for the benefit of, our shareholders. Accordingly, it seeks to be comprised of directors with diverse skills, experience and qualifications. It is critical that our directors understand the direct selling industry. It is equally important that, collectively, our directors have successful experience in each of the primary aspects of our business, including network marketing, direct sales, finance and audit, product strategy and development, independent associate relations, supply chain management, and sales and marketing.

J. Stanley Fredrick, our Chairman and largest shareholder, brings to the Board many years of direct selling experience as well as broad operational and marketing expertise as a co-founder of two direct selling companies. Mr. Fredrick also has significant experience serving on other company boards of directors, as well as the Direct Selling Association's board and its various committees. Mr. Fredrick's professional background provides him with a vast understanding of our Company, associate field leadership, and sales techniques.

Gerald E. Gilbert brings to the Board extensive legal and business experience in international trade and various areas of consumer products. Mr. Gilbert served as General Counsel to the Direct Selling Association and as General Counsel to the World Federation of Direct Selling Associations. Mr. Gilbert's legal expertise in the direct selling industry makes him a valued member of the Board.

Larry A. Jobe brings to the Board extensive experience in management, finance and auditing. Mr. Jobe also has significant experience serving on other public company boards. Mr. Jobe's considerable experience in public accounting and in evaluating financial statements makes him particularly well-suited to serve as chair of the Audit Committee. Mr. Jobe maintained an active CPA license from 1962 to 2002.

Alan D. Kennedy brings to the Board over 30 years of experience with various direct selling companies. Mr. Kennedy shares with the Board extensive knowledge of operations, sales, and marketing which he acquired through his executive experience with various public direct selling companies, such as Tupperware Corporation, Nature's Sunshine Products, Inc., and Avon Products, Inc.

Marlin Ray Robbins is our co-founder, a substantial shareholder, and a high-level associate in our global downline network marketing system. Mr. Robbins brings to the Board over 25 years of experience with various network marketing and direct selling companies. Mr. Robbins' vast understanding of associate field leadership makes him an expert in issues and critical needs related to building the success of our independent associates and a valued member of the Board.

Robert A. Toth brings to the Board extensive experience in senior management and as a venture capitalist. Mr. Toth has over 25 years of direct selling experience, most recently with Avon Products, Inc. Mr. Toth's considerable experience with international markets makes him a valuable member of the Board, as international expansion has been, and continues to be, an important part of our long-term strategic plan. Having served in various leadership positions of Avon International, Mr. Toth has an in-depth understanding of the direct selling industry.

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Consideration of Director Nominees

Although the Board has not formally established criteria for Board membership, the Board does consider several factors before recommending a candidate for Board membership. These factors include the following:

- the experience level, mix of skills and other business qualities a potential nominee may possess;
- the general experience and skill levels of current Board members;
- the potential nominee's experience with accounting rules and practices;
- the verification of background, work, and education of a potential nominee; and
- other factors as the Nominating/Governance and Compliance Committee may deem in the best interests of our shareholders.

In addition, the Nominating/Governance and Compliance Committee will recommend director candidates in order to ensure that:

- a majority of the Board of Directors are "independent" as defined by NASDAQ and SEC rules;
- each of the Audit, Compensation and Stock Option Plan, and Nominating/Governance and Compliance Committees are comprised entirely of independent directors; and
- at least one member of the Audit Committee has the experience, education and qualifications necessary to qualify as an "audit committee financial expert" as defined by the SEC.

The Nominating/Governance and Compliance Committee may solicit recommendations for director nominees from any or all of the following sources: non-management directors, executive officers, third-party search firms or any other source it deems appropriate. The Nominating/Governance and Compliance Committee will review and evaluate the qualifications of any proposed director candidate that it is considering or that has been properly recommended to it by a shareholder and conduct inquiries it deems appropriate into the background of these proposed director candidates. When nominating a director for re-election, the Nominating/Governance and Compliance Committee will also consider the director's past performance on the Board. The Nominating/Governance and Compliance Committee will evaluate all proposed director candidates based on the same criteria, with no regard to the source of the initial recommendation of the proposed director candidate.

The Nominating/Governance and Compliance Committee does not have a formal policy with respect to diversity; however, the Board and the Nominating/Governance and Compliance Committee believe it is important that Board members represent diverse viewpoints. In considering candidates, the Nominating/Governance and Compliance Committee considers the entirety of each candidate's credentials, including such candidate's diverse skills, experience and qualifications.

Board Leadership Structure and Role in Risk Oversight

Meetings of the Board are presided over by the Chairman of the Board, currently Mr. Fredrick. Our Bylaws do not require that the Chairman be independent. However, the Board believes in the separation of the Chairman and CEO roles. Therefore, these positions have been separated. Most important among the considerations was that the separation of the Chairman and CEO positions allows our CEO to focus on operational issues and the Chairman to focus on governance and other related issues.

Each member of the Board is sophisticated and has significant business experience. In addition, we believe that the effectiveness of the Board is enhanced by having separate Chairman and CEO positions.

It is management's responsibility to manage risk and bring to the Board's attention any material risks facing the Company. The Board as a whole and through its committees, regularly reviews various areas of significant risk, and advises and directs management on the scope and implementation of policies, strategic initiatives and other actions designed to mitigate various types of risks. Specific examples of risks primarily overseen by the full Board include competition risks, industry risks, economic risks, liquidity risks, business operations risks, regulatory risks and risks posed by significant litigation matters. Our Audit Committee regularly discusses with management and the independent auditors significant financial risk exposures and the processes management has implemented to monitor, control and report such exposures. Specific examples of risks primarily overseen by the Audit Committee include risks related to the preparation of the Company's financial statements, disclosure controls and procedures, internal controls and procedures required by the Sarbanes-Oxley Act of 2002, accounting, financial and auditing risks, matters reported to the Audit Committee through the internal audit department and through anonymous reporting procedures.

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Classes of Our Board of Directors

Six directors currently serve on the Board, which is divided into three classes serving staggered three-year terms, which expire on the day of our Annual Shareholders’ Meeting. The Board has determined that four of our directors are independent. The members of each of the classes and the expiration dates of their terms as of April 15, 2014, are as follows:

Class	Term Expiration	Directors
Class I	2015	Gerald E. Gilbert*, Larry A. Jobe* , and Marlin Ray Robbins
Class II	2016	J. Stanley Fredrick ⁽¹⁾
Class III	2014	Alan D. Kennedy* and Robert A. Toth*

*Independent Board Member

(1)Chairman of the Board of Directors

The Board held four regular meetings and three special meetings during 2013. All of our directors attended all of the meetings of the Board and of various committees on which they served. Although we do not have a formal policy regarding attendance by directors at our Annual Shareholders’ Meeting, we encourage and expect all of our directors to attend our Annual Shareholders’ Meeting. All of our directors attended our 2013 Annual Shareholders’ Meeting, which was held on June 5, 2013. It is anticipated that all of our directors will attend our 2014 Annual Shareholders’ Meeting to be held on May 28, 2014.

Director Independence

The Board has determined that each of Messrs. Gilbert, Jobe, Kennedy, and Toth qualify as “independent” as defined by applicable NASDAQ and SEC rules. In making this determination, the Board has concluded that none of these members has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

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Committees of Our Board of Directors

During 2013, the Board had four committees with various functions. All committee members attended all of their committee meetings. During 2013, the committees held the following number of meetings:

- Audit Committee: 9;
- Compensation and Stock Option Plan Committee: 5;
- Nominating/Governance and Compliance Committee: 6; and
- Science Committee: 4.

As of April 15, 2014, the Board committee membership is as follows:

Director's Name	Audit Committee	Compensation and Stock Option Plan Committee	Nominating/ Governance, and Compliance Committee	Science Committee
Non-Employee Independent Directors:				
Gerald E. Gilbert	X	X	C	X
Larry A. Jobe	C	X	X	X
Alan D. Kennedy	X	X	X	C
Robert A. Toth	X	C	X	X
Non-Employee Directors:				
J. Stanley Fredrick ⁽¹⁾				
Marlin Ray Robbins				X

X Member

C Committee Chairman

⁽¹⁾ Chairman of the Board of Directors

The committees and their functions are as follows:

1. Audit Committee. Our Audit Committee consists of Messrs. Gilbert, Jobe, Kennedy and Toth and is chaired by Mr. Jobe. The Board has determined that each member of our Audit Committee meets the independence and financial literacy requirements for purposes of serving on such committee under applicable NASDAQ and SEC rules and that Mr. Jobe qualifies as an “audit committee financial expert” as defined by the SEC. Our Audit Committee is primarily responsible for approving all services provided by our independent registered public accounting firm, reviewing our annual audit results, and meeting with our independent registered public accounting firm to periodically review our internal controls, internal control over financial reporting, and financial management practices. Our Audit Committee’s responsibilities are stated more fully in its amended and restated charter, which is posted on our corporate website at www.mannatech.com. Our Audit Committee’s report appears in this proxy statement on page 44.

2. Compensation and Stock Option Plan Committee. Our Compensation and Stock Option Plan Committee consists of Messrs. Gilbert, Jobe, Kennedy and Toth and is chaired by Mr. Toth. The Board has determined that each member of our Compensation and Stock Option Plan Committee meets the independence requirements for purposes of serving on such committee under applicable NASDAQ and SEC rules. None of our executive officers serves as a member of any board of directors or as a member of any other compensation committee for any other entity that has or has had one or more of their executive officers serving as a member of the Board or on our Compensation and Stock Option Plan Committee. Our Compensation and Stock Option Plan Committee is primarily responsible for

establishing all compensation for our executive officers and directors including salaries, bonuses, stock option grants, and stock option plan administration. Our Compensation and Stock Option Plan Committee's responsibilities are stated more fully in its revised charter, which is posted on our corporate website at www.mannatech.com.

Nominating/Governance, and Compliance Committee. Our Nominating/Governance, and Compliance Committee consists of Messrs. Gilbert, Jobe, Kennedy and Toth and is chaired by Mr. Gilbert. The Board has determined that each member of the Nominating/Governance, and Compliance Committee meets the independence requirements for purposes of serving on such committee under applicable NASDAQ and SEC rules. Our Nominating/Governance, and Compliance Committee is primarily responsible for reviewing and recommending nominees to the Board, developing plans regarding the size and composition of the Board, developing management succession planning, and establishing and maintaining policies and procedures to handle and investigate complaints, including
3. whistleblower or other confidential complaints. Our Nominating/Governance, and Compliance Committee is also responsible for directing the investigation of complaints including advising the Board about the outcome of any complaints or any other legal matters. For information on criteria for director nominees, see "Consideration of Director Nominees", beginning on page 22. Our Nominating/Governance and Compliance Committee's responsibilities are stated more fully in its charter that is posted on our corporate website at www.mannatech.com. For additional information on nominating nominees to the Board see "Shareholder Procedures for Nominating Board Members or Introducing Proposals," beginning on page 6 of this proxy statement.

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5. Science Committee. Our Science Committee was formed in June 2003, consists of Messrs. Gilbert, Kennedy, Robbins, Jobe, and Toth, and is chaired by Mr. Kennedy. Our Science Committee is primarily responsible for overseeing all aspects of our product development and setting the overall direction of our product research and development.

Shareholder Communication with Our Board of Directors

We request that any shareholders interested in communicating directly with individual directors or with our entire Board submit such correspondence in writing. To submit written correspondence to the Board, fax such correspondence to (972) 471-7342, or send by email to BoardofDirectors@mannatech.com, or mail to Mannatech, Incorporated, Attention CFO, "For Mannatech's Board of Directors," 600 S. Royal Lane, Suite 200, Coppell, Texas 75019. Upon receipt, a copy of such correspondence will be given to both the Corporate Secretary and to J. Stanley Fredrick, our Chairman of the Board. All correspondence to specific Board members will be delivered directly to the individual Board member. A voice message can be left for the Board at (972) 471-6512. Our Executive Officers and designated officials may be given access to such shareholder communications with the Board, except in instances in which the charters of our committees require anonymity.

Code of Ethics

In order to help promote the highest levels of business ethics, the Board adopted a Code of Ethics for our executive officers and directors in 2003. The Code of Ethics was amended in April 2006 and is published on our corporate website at www.mannatech.com. Any change in or waiver from and the grounds for such change or waiver of our Code of Ethics shall be promptly disclosed by publishing such change or waiver on our corporate website at www.mannatech.com. Our Code of Ethics applies to all of our executive officers and directors. Our Code of Ethics was designed to ensure that our business is conducted in a consistent legal and ethical manner and sets forth guidelines for all areas of professional conduct, including conflicts of interest, employment policies, protection of confidential information, and fiduciary duties.

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Compensation of Directors

We compensate our non-employee directors for serving and participating on the Board, for chairing committees, and for attending Board and Board committee meetings. Our Nominating/Governance and Compliance Committee reviews the compensation of our non-employee directors and recommends to the Compensation and Stock Option Plan Committee any changes to director compensation that the Nominating/Governance and Compliance Committee deems appropriate. Our Compensation and Stock Option Plan Committee then reviews such recommendations and after due deliberation and consideration approves any such changes it deems appropriate and recommends them to the Board. The Board then reviews such recommendations and after due deliberation and consideration approves any such changes it deems appropriate. Non-employee director fees during 2013 were as follows:

	Board Member	Audit Committee	Compensation and Stock Option Plan Committee	Nominating/ Governance and Compliance Committee	Science Committee
Chairman fee ⁽¹⁾	\$372,910	\$ 20,000	\$ 7,500	\$ 12,500	\$ 7,500
Independent director retainer ⁽¹⁾	\$35,000	\$ —	\$ —	\$ —	\$ —
In-person meeting fee	\$1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Telephonic meeting fee	\$500	\$ 500	\$ 500	\$ 500	\$ 500
Re-elected Board members ⁽²⁾	\$—	\$ —	\$ —	\$ —	\$ —

(1) The Chairman fee and director retainer are paid monthly during the calendar year.

Each non-employee director re-elected to the Board by our shareholders was granted 5,000 stock options. The stock options are priced on the date of grant and expire in ten years. One-third of the stock options vest on the date of grant, another one-third of the stock options vest on the first anniversary date of grant, and the remaining one-third of the stock options vest on the second anniversary of the date of grant.

All directors are reimbursed for any reasonable out-of-pocket travel expenses in connection with their travel to and attendance at any of the Board's meetings or committee meetings.

2013 Director Compensation Table

The table below summarizes the compensation paid during 2013 to our non-employee directors. We have not granted stock awards to our non-employee directors, and our non-employee directors do not receive non-equity incentive plan compensation or nonqualified deferred compensation.

Director	Fees Earned or Paid in Cash ⁽¹⁾	Option Awards ⁽²⁾	All Other Compensation	Total
J. Stanley Fredrick	\$359,394	\$ 48,200	\$ 17,001	\$424,595
Gerald E. Gilbert	\$73,000	\$ 17,850	\$	\$90,850
Larry A. Jobe	\$78,500	\$ 17,850	\$	\$96,350
Alan D. Kennedy	\$68,000	\$ 17,850	\$	\$85,850
Marlin Ray Robbins	\$	\$ 17,850	\$ 2,443,052	\$2,460,902
Robert A. Toth	\$67,000	\$ 17,850	\$	\$84,850

- (1) The amounts reported in this column represent the aggregate dollar amount of annual retainer fees, committee and/or chairmanship fees, and meeting fees, as described in the table above.
The amounts reported in this column represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 "Stock Compensation" for two categories of option awards. The first was a grant of 5,000 stock options with an exercise price of \$5.72 which was awarded to each director. The second was a grant that was awarded to Mr. Fredrick in connection with his re-election to the Board at the 2013 Annual Shareholders' Meeting.
- (2) He received a grant of 5,000 stock options with an exercise price of \$9.89 pursuant to our policy that each non-employee director re-elected to the Board by our shareholders is granted 5,000 stock options. For the aforementioned grants, one-third of the stock options vest on the date of grant, another one-third of the stock options vest on the first anniversary date of the grant, and the remaining one-third of the stock options vest on the second anniversary of the date of grant. The stock options are priced on the date of grant. See table below titled "Directors' Stock Options Outstanding" for aggregate options outstanding at year end.
- (3) Included in other compensation is our payment for Mr. Fredrick's 2013 medical and dental insurance premiums of \$13,516, travel of \$2,917 and membership dues for a private club of \$568.
- (4) Mr. Robbins holds positions in our associate global downline network marketing system and we paid him commissions of approximately \$2.4 million in connection therewith.

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Directors' Stock Options Outstanding

The table below summarizes the outstanding stock options of our non-employee directors as of December 31, 2013:

Director	Grant Date	Aggregate Number of Shares Underlying Outstanding Stock Options	Exercise Price Per Share	Grant Date Fair Value of Option Awards	Calculated Fair Value Price Per Share	Fair Value of Option Awards Recognized in 2013 ^(a)	
J. Stanley Fredrick	June 10, 2010	6,976	\$23.70	\$82,326	\$ 11.80	\$ —	
	August 16, 2010	392	\$27.10	\$5,491	\$ 14.01	\$ —	
	February 21, 2013	5,000	\$5.72	\$17,850	\$ 3.57	\$ 5,119	
	June 5, 2013	5,000	\$9.89	\$30,350	\$ 6.07	\$ 15,608	
		17,368		\$ 136,017		\$ 20,727	
Gerald E. Gilbert	November 20, 2008	1,000	\$25.00	\$10,300	\$ 10.30	\$ —	
	June 10, 2009	5,000	\$30.00	\$72,000	\$ 14.40	\$ —	
	August 16, 2010	2,315	\$24.60	\$32,421	\$ 14.00	\$ —	
	May 30, 2012	5,000	\$5.19	\$16,050	\$ 3.21	\$ 5,362	
	February 21, 2013	5,000	\$5.72	\$17,850	\$ 3.57	\$ 5,119	
		18,315		\$ 148,621		\$ 10,481	
Larry A. Jobe	November 20, 2008	1,000	\$25.00	\$10,300	\$ 10.30	\$ —	
	June 10, 2009	5,000	\$30.00	\$72,000	\$ 14.40	\$ —	
	August 16, 2010	1,410	\$24.60	\$19,740	\$ 14.00	\$ —	
	May 30, 2012	5,000	\$5.19	\$16,050	\$ 3.21	\$ 5,362	
	February 21, 2013	5,000	\$5.72	\$17,850	\$ 3.57	\$ 5,119	
		17,410		\$ 135,940		\$ 10,481	
Alan D. Kennedy	November 20, 2008	1,000	\$25.00	\$10,300	\$ 10.30	\$ —	
	August 16, 2010	2,441	\$24.60	\$34,184	\$ 14.40	\$ —	
	June 9, 2011	13,157	\$11.40	\$84,211	\$ 6.40	\$ 12,228	
	February 21, 2013	5,000	\$5.72	\$17,850	\$ 3.57	\$ 5,119	
		21,598		\$ 146,545		\$ 17,346	
Marlin Ray Robbins	June 12, 2006	1,115	\$112.10	\$54,373	\$ 48.77	\$ —	
	November 20, 2008	1,000	\$25.00	\$10,300	\$ 10.30	\$ —	
	June 10, 2009	5,000	\$30.00	\$72,000	\$ 14.40	\$ —	
	May 30, 2012	5,000	\$5.19	\$25,950	\$ 3.21	\$ 5,362	
	February 21, 2013	5,000	\$5.72	\$17,850	\$ 3.57	\$ 5,119	
		17,115		\$ 170,573		\$ 10,481	
Robert A. Toth	August 16, 2010	2,410	\$24.60	\$33,751	\$ 14.00	\$ 989	(b)
	June 9, 2011	13,157	\$11.40	\$84,211	\$ 6.40	\$ 12,228	
	February 21, 2013	5,000	\$5.72	\$17,850	\$ 3.57	\$ 5,119	
		20,567		\$ 135,812		\$ 18,335	

Represents the calculated stock-based compensation expense recognized in our consolidated financial statements for the fair value of the option awards in accordance with FASB ASC Topic 718 "Stock Compensation".

(a) Assumptions made in the calculation of these amounts are included in Note 11 to our audited financial statements for the fiscal year ended December 31, 2013, included in our Annual Report on Form 10-K filed with the SEC on March 18, 2014.

Represents costs recognized in connection with our stock option exchange program conducted in 2010 and consists of 2013 expenses applicable to the surrendered options, the remaining unamortized compensation cost of the

(b) surrendered options, if any, prorated based on the number of days outstanding. There was no incremental stock option expense resulting from the exchange because the fair value of the replacement options was approximately equal to the fair value of the surrendered options they replaced.

Directors' Stock Ownership Guidelines

We encourage our non-employee directors to own shares of our common stock equal to three times the value of a director's annual board retainer in order to demonstrate to our shareholders and the investment community that our directors are personally committed to our success. However, we do not have a formal policy requiring our directors to own any specific number of shares.

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Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information as of April 15, 2014, by (a) each person known by us to beneficially own 5% or more of our outstanding shares of common stock, (b) each of our directors and “Named Executive Officers,” and (c) all of our current directors and executive officers as a group.

Name	Number of Outstanding Shares	Number of Shares Underlying Options ⁽¹⁾	Total Number of Outstanding Shares and Shares Underlying Options ⁽¹⁾ ⁽²⁾	% of Class Outstanding ⁽¹⁾	
Beneficial Owners of 5% or More					
Michael Challen ⁽³⁾	241,258		241,258	9.1	%
Tyler Rameson ⁽⁴⁾	241,258		241,258	9.1	%
Directors and Named Executive Officers					
J. Stanley Fredrick ⁽⁵⁾	315,406	⁽⁶⁾ 15,033	330,439	12.4	%
Marlin Ray Robbins	59,000	15,447	74,447	2.8	%
Robert A. Toth	35,000	18,899	53,899	2.0	%
Larry A. Jobe	34,999	10,743	45,742	1.7	%
Gerald E. Gilbert	6,000	16,647	22,647	0.9	%
Alan D. Kennedy	3,410	⁽⁷⁾ 19,930	23,340	0.9	%
Robert A. Sinnott, Ph.D	4,041	⁽⁸⁾ 8,918	12,959	0.5	%
Alfredo (Al) Bala		1,834	1,834	0.1	%
Roy Truett ⁽⁹⁾					%
All 11 executive officers and directors as a group	460,186	114,707	574,893	21.6	%

(1) Shares of our common stock subject to stock options, warrants, or any other convertible security currently exercisable or convertible, or exercisable or convertible within 60 days of April 15, 2014, are deemed outstanding for computing the percentage of the person or entity holding such securities, but are not outstanding for computing the percentage of any other person or entity.

(2) The information contained in this table with respect to beneficial ownership reflects “beneficial ownership” as defined in Rule 13d-3 under the Exchange Act. All information with respect to the beneficial ownership of any shareholder has been furnished by such shareholder and, except as otherwise indicated or pursuant to community property laws, each shareholder has sole voting and investment power with respect to shares listed as beneficially owned by such shareholder.

(3) The information regarding the beneficial ownership of Michael Challen is based on the Schedule 13G filed with the SEC by Mr. Challen on November 12, 2013, in which Mr. Challen indicated he had sole power to vote and dispose of all such shares. The address for Mr. Challen is 1576 La Coronilla Drive, Santa Barbara, CA 93109.

(4) The information regarding the beneficial ownership of Tyler Rameson is based on the Schedule 13G filed with the SEC by Mr. Rameson on November 12, 2013, in which Mr. Rameson indicated he had sole power to vote and dispose of all such shares. The address for Mr. Rameson is 10 East Yanonali Street, Suite 2A, Santa Barbara, CA 93101.

(5) Mr. Fredrick beneficially owns more than 5% of our common stock. Mr. Fredrick maintain offices at 600 S. Royal Lane, Suite 200, Coppell, Texas 75019.

(6)

The number of shares owned by Mr. Fredrick includes 190,406 shares of our common stock directly held by Mr. Fredrick and 125,000 shares of our common stock held through JSF Resources LTD Partnership. JSF Resources LTD is a limited partnership that is owned by FSJ Secure Trust, of which Mr. Fredrick is the sole beneficiary. Mr. Fredrick pledged 40,000 shares he holds individually as collateral for a loan.

- (7) Includes 3,310 shares of our common stock directly held by Mr. Kennedy and 100 shares of our common stock held through Kennedy Family Trust, for which Mr. Kennedy is trustee and grantor and whose beneficiaries are Mr. Kennedy's wife and children.
- (8) Dr. Sinnott holds 1,666 shares directly and 2,375 shares are held indirectly. The indirect holdings are held by Dr. Sinnott's wife as custodian for his three sons. Dr. Sinnott has disclaimed beneficial ownership of these shares.
- (9) Mr. Truett resigned as President of International and Chief Operating Officer on January 28, 2014. In connection with Mr. Truett's departure on January 31, 2014, he forfeited 10,000 unvested incentive stock options.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors, executive officers, and persons who own more than 10% of our common stock to file initial reports of ownership and reports of changes in their beneficial ownership of our common stock with the SEC. Such persons are required by the SEC regulations to furnish us with copies of all Section 16(a) reports they file.

Based solely upon a review of such reports or written representations furnished to us that no other reports were required, we believe that during the year ended December 31, 2013, all of our executive officers and greater than 10% beneficial owners complied with all applicable Section 16(a) filing requirements. Further, based solely on a review of such reports or written reports or written representations furnished to us, during the fiscal year ended December 31, 2013, our directors filed the following late Form 4s. Messrs: Fredrick, Robbins, Jobe, Toth, Kennedy and Gilbert each filed a late Form 4 related to a grant of options in February 2013 and Mr. Toth filed a late Form 4 related to a purchase of stock in May 2013.

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EXECUTIVE COMPENSATION

This executive compensation discussion describes our compensation program for the year ended December 31, 2013 for our Named Executive Officers listed below, which we refer collectively as our “Named Executive Officers”.

- Robert A. Sinnott, Ph.D. – CEO and Chief Science Officer
Alfredo Bala – President International, Executive Vice President, Chief Sales & Marketing Officer
- Roy Truett – Former President of International and Chief Operating Officer

Dr. Sinnott is a Named Executive Officer based on his position, while the other individuals listed above were Named Executive Officers based on compensation earned in 2013.

We compensate our executive officers through our executive compensation program that is designed to maintain a fair, equitable, and competitive compensation package that allows the Company to attract and retain top executive talent. Based on recommendations made by our Compensation and Stock Option Plan Committee, the Board approves all compensation related to our executive officers, including our Named Executive Officers. The Compensation and Stock Option Plan Committee annually reviews each executive officer’s responsibilities and performance. In general, our executive compensation program for executive officers, including our Named Executive Officers, consists of payment of an annual base salary; participation in our Management Non-Equity Incentive Bonus Plan; stock option awards; and certain other benefits and perquisites.

Summary Compensation Table (2012 & 2013)

The following table summarizes the total compensation awarded to our Named Executive Officers for the fiscal years ended December 31, 2012 and 2013:

Name & Principal Position	Year	Salary ⁽¹⁾	Bonus	Option Award ⁽²⁾	Non-Equity Incentive Plan Compensation ⁽³⁾⁽⁴⁾	All Other Compensation ⁽⁴⁾	Total
Robert A. Sinnott, Ph.D. CEO & Chief Science Officer	2013	\$350,000	\$20,512 ⁽⁵⁾	\$17,850	\$	\$ 41,048	\$429,410
	2012	\$350,000	\$	\$	\$ 5,078	\$ 15,958	\$371,036
Alfredo (Al) Bala President International, Executive Vice President, Chief Sales & Marketing Officer	2013	\$300,000	\$15,569 ⁽⁶⁾	\$17,850	\$	\$ 15,240	\$348,659
	2012	\$300,000	\$	\$	\$ 4,531	\$ 17,061	\$321,592
Roy Truett ⁽⁷⁾ Former, President of International and Chief Operating Officer	2013	\$273,308	\$50,534 ⁽⁸⁾	\$35,300	\$	\$ 47,824	\$406,966
	2012	\$	\$	\$	\$	\$	\$

(1) The amounts reported in this column represents the total amount paid to the executive during the year as a result of the executive’s annual base salary and the number of payroll periods in the respective year.

(2) The amounts reported in this column represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 “Stock Compensation” for option awards granted in 2012, and 2013, respectively. Assumptions made in the calculation of these amounts are included in Note 11 to our audited financial statements for the fiscal year ended December 31, 2013, included in our Annual Report on Form 10-K filed with the Securities

and Exchange Commission on March 18, 2014.

The amounts reported in this column represent non-equity incentive plan compensation paid in March 2013 under our Management Non-Equity Incentive Bonus Plan with respect to 2008 performance. We did not meet

(3) performance targets and no bonuses were earned in 2013 and 2012 under our Management Non-Equity Incentive Bonus Plan. Amounts reported in 2012 represent 5% of the 2008 bonus amounts that were paid in 2013 subject to the executive's employment with us on the payment date.

The amounts reported in this column include, among other items, an automobile allowance or automobile lease (4) payments, matching contributions to our 401(k) plan, automobile insurance coverage, and travel expenses paid on behalf of each Named Executive Officer, and are detailed in the "All Other Compensation" table included below.

(5) Amount represents a \$500 Christmas Bonus, grossed-up for taxes, paid in December 2013 and a \$20,000 bonus awarded at the discretion of the Board of Directors paid in March 2014.

(6) Amount represents a \$500 Christmas Bonus, grossed-up for taxes, paid in December 2013 and a \$15,000 bonus awarded at the discretion of the Board of Directors paid in March 2014.

Mr. Truett resigned as President of International and Chief Operating Officer on January 28, 2014. In connection (7) with Mr. Truett's departure, on January 30, 2014, the Company and Mr. Truett entered into a Separation Agreement and Release. Under the terms of this agreement, Mr. Truett was released from the post-employment non-compete obligations of his employment agreement. Mr. Truett's last day with the Company was January 31, 2014.

(8) Amount represents a \$50,000 signing bonus paid in March 2013 and a \$500 Christmas Bonus, grossed-up for taxes paid in December 2013.

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All Other Compensation Table (2012 and 2013)

The amounts included in the “All Other Compensation” column of the Summary Compensation Table above are broken down as follows:

Name	Yr.	Automobile Lease Payments (\$)	Insurance Premium for Leased Automobile (\$)	Company Matching 401(k) Contribution (\$)	Life Insurance (\$)	Travel Expenses ⁽¹⁾ (\$)	Temporary Housing / Relocation Expense (\$)	Commuting Expenses (\$)	Total All Other Compensation (\$)
Robert A. Sinnott, Ph.D.	2013	12,000		2,550	542	25,956			41,048
	2012	12,000		3,416	542				15,958
Alfredo (Al) Bala	2013	12,000		2,550	690				15,240
	2012	12,798	528	3,045	690				17,061
Roy Truett	2013	10,000		1,700	382		23,973	11,769	47,824
	2012								

(1) The amounts reported in this column reflect travel-related costs, including airfare, meals and entertainment, for our Named Executive Officers’ family members to travel with them at our Company-related events.

Executive Employment Agreements

We enter into employment agreements with certain executive officers, including our Named Executive Officers. Pursuant to the terms of the employment agreements, some of our executive officers are entitled to severance in certain events of early termination. These provisions are described in the section titled “Potential Payments Upon Termination or Change in Control” appearing later in this Proxy Statement. In the employment agreements, we have agreed to pay relocation expenses for newly hired executives, provide a leased vehicle or pay a monthly automobile allowance, and allow our executives to participate in our Management Non-Equity Incentive Bonus Plan and in all of our other employee benefit plans. In addition, the employment agreements contain covenants regarding (i) confidentiality and non-disparagement that apply to the executive both during and after employment and (ii) non-competition and non-solicitation that apply to the executive during employment and for one year after termination. The following is a description of the other material terms of the employment agreements with our Named Executive Officers as of December 31, 2013:

Named Executive Officer	Position	Effective Date of Agreement	Expiration Date	2012 Annual Base Salary	2013 Annual Base Salary	2014 Annual Base Salary
Robert A. Sinnott, Ph.D.	CEO and Chief Science Officer President International, Executive	October 2007	(1) December 2014	(1) \$350,000	\$350,000	\$390,000
Alfredo (Al) Bala	Vice President, Chief Sales & Marketing Officer Former President of International	October 2007	December 2014	(2) \$290,000	\$300,000	\$324,000
Roy Truett ⁽³⁾	and Chief Operating Officer	March 2013	March 2014	\$N/A	\$340,000	\$340,000

- (1) The employment agreement for Dr. Sinnott was amended in December 2009 and had an initial term of one year with automatic renewals for successive one-year periods unless terminated pursuant to the terms of the contract.
- (2) The employment agreement for Mr. Bala had an initial term of two years with automatic renewals for successive one-year periods unless terminated pursuant to the terms of the contract.
- (3) Mr. Truett resigned as President of International and Chief Operating Officer on January 28, 2014. In connection with Mr. Truett's departure, on January 30, 2014, the Company and Mr. Truett entered into a Separation Agreement and Release. Under the terms of this agreement, Mr. Truett was released from the post-employment non-compete obligations of his employment agreement. His last day with the Company was January 31, 2014.

In October 2007, we entered into a one-year employment agreement, with automatic renewals for successive one-year periods, with Dr. Sinnott, our CEO and Chief Science Officer. Pursuant to the terms of the employment agreement, we agreed to pay Dr. Sinnott an annual base salary of \$312,000. In accordance with the terms of the employment agreement allowing increases to base salary, the Board and the Committee review Dr. Sinnott's base salary annually in accordance with their annual review of salaries for our Named Executive Officers and make any adjustments they deem appropriate. In 2008, we increased Dr. Sinnott's annual base salary to \$325,000. In February 2010, we increased Dr. Sinnott's annual base salary to \$350,000 in connection with his promotion to Co-CEO prior to his promotion to CEO in 2011. In February 2014, we increased Dr. Sinnott's annual base salary to \$390,000 in connection with his performance evaluation and to align with the compensation levels of our competitors.

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In October 2007, we entered into a two-year employment agreement, with automatic renewals for successive one-year periods, with Mr. Bala, our Executive Vice President, Sales & Marketing. Pursuant to the terms of the employment agreement, we agreed to pay Mr. Bala an annual base salary of \$275,000. In accordance with the terms of the employment agreement allowing increases to base salary, the Board and the Committee review Mr. Bala's base salary annually in accordance with their annual review of salaries for our Named Executive Officers and make any adjustments they deem appropriate. In 2008, we increased Mr. Bala's annual base salary to \$290,000. Effective for 2012, we increased Mr. Bala's annual base salary to \$300,000 in connection with his promotion to Executive Vice President, Sales & Marketing. In February 2014, we increased Mr. Bala's annual base salary to \$324,000 in connection with his performance evaluation and to align with the compensation levels of our competitors.

In March 2013, we entered into a one-year employment agreement, with automatic renewals for successive one-year periods, with Mr. Truett, our former President of International and Chief Operating Officer. Pursuant to the terms of the employment agreement, we agreed to pay Mr. Truett an annual base salary of \$340,000. Additional terms of the employment agreement included our payments for (i) up to \$30,000 for moving expenses; (ii) up to \$30,000 for closing costs related to the purchase of a residence; (iii) commuting and temporary housing costs for a period of up to six months; (iv) a signing bonus of \$50,000; (v) eligibility to earn up to \$52,000 pursuant to the 2013 executive bonus plan; and (vi) a monthly car allowance of \$1,000. Mr. Truett resigned on January 28, 2014 as President of International and Chief Operating Officer. His last day with the Company was January 31, 2014.

2013 Grants of Plan Based Awards

No stock awards were granted to our Named Executive Officers in 2013. We granted the following stock options to our Named Executive Officers in 2013:

Name	Grant Date	Number of Securities Underlying Options (#)	Exercise Price of Option Awards (\$/Sh)	Grant Date Fair Value of Option Awards
Robert A. Sinnott, Ph.D.	2/20/2013	5,000	\$ 5.72	\$ 17,850
Alfredo (Al) Bala	2/20/2013	5,000	\$ 5.72	\$ 17,850
Roy Truett	3/3/2013	10,000	(1) \$ 5.69	\$ 35,300

(1) Mr. Truett resigned as President of International and Chief Operating Officer on January 28, 2014. In connection with Mr. Truett's departure on January 31, 2014, he forfeited 10,000 unvested incentive stock options.

No stock awards and no stock options were granted to our Named Executive Officers in 2012.

Equity Compensation Plan Information

We use stock option plans to encourage investment by our officers, employees, and non-employee directors in shares of our common stock so they will have an increased vested interest in and greater concern for Mannatech's welfare.

We had one stock option plan in effect as of December 31, 2013, which is as follows:

The Board and a majority of our shareholders approved the Mannatech, Incorporated 2008 Stock Incentive Plan in February 2008 and in 2012 amended the plan to increase the number of shares of common stock subject to the plan (as

amended, the “2008 Plan”). Our 2008 Plan enables us to attract and retain employees, consultants and directors who will contribute to our long-term success and aligns the interests of those individuals with the interests of our shareholders. Awards of stock options, including incentive and nonstatutory stock options, and restricted stock may be issued under our 2008 Plan. The Compensation and Stock Option Plan Committee administers the 2008 Plan.

There are 200,000 shares of our common stock currently reserved for issuance under our 2008 Plan, which does not include certain shares available for issuance under our predecessor stock plan. In the event of certain changes to our common stock, including due to a merger, consolidation, reorganization, reincorporation, stock dividend, non-cash dividend, stock split, liquidation, combination, stock exchange, or change in corporate structure, we may adjust the number of shares subject to our 2008 Plan and to any outstanding awards.

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Generally, the exercise price with respect to stock options granted pursuant to our 2008 Plan cannot be less than 100% of the fair market value per share of our common stock on the date of grant. Unless the Compensation and Stock Option Plan Committee specifies otherwise, in general, stock options vest annually over a two- or three- year period and have a ten-year term.

Participants in our 2008 Plan may pay the exercise price for stock options in cash, shares of common stock, via a broker-assisted cashless exercise method or in any other form of legal consideration that the Compensation and Stock Option Plan Committee approves.

Our 2008 Plan also permits awards of restricted shares of our common stock, or restricted stock, and the Compensation and Stock Option Plan Committee determines the vesting schedule for such restricted stock.

If we undergo a change in control or certain other significant corporate transactions, our 2008 Plan provides that we may assume, continue, substitute for, or cancel any outstanding awards. For purposes of our 2008 Plan, a “change in control” generally means (i) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of our assets to a third-party, (ii) the replacement of the majority of the incumbent members of the Board, (iii) the adoption of a plan relating to our liquidation or dissolution, or (iv) the consummation of any transaction (including a merger or consolidation) that results in a third-party becoming the beneficial owner of more than 50% of our voting power.

In the event that any award under our 2008 Plan is determined to be nonqualified deferred compensation subject to Section 409A of the Code, the award will have to comply with certain technical tax limitations with respect to when awards may be exercised or paid for.

Our 2008 Plan will terminate automatically on February 20, 2018, unless the Board terminates it sooner. The Board may amend our 2008 Plan at any time but to the extent shareholder approval is necessary pursuant to the 2008 Plan or marketplace rules of NASDAQ, an amendment may not become effective until we obtain shareholder approval.

The following table provides information as of April 15, 2014 about our common stock that may be issued upon the exercise of stock options under the 2008 Plan.

<u>Plan Category</u>	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (a)	Weighted-average exercise price of outstanding options, warrants, and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plan approved by shareholders	232,660	\$ 16.54	20,599
Equity compensation plans not approved by shareholders	—	—	—
Total	232,660		20,599

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Non-Equity Incentive Plan

We award annual cash bonuses under our Management Non-Equity Incentive Bonus Plan for achievement of specified performance objectives within a specific performance period, which is typically one year or less. We make awards from an established incentive pool. The Compensation and Stock Option Plan Committee determines the total size of our incentive pool by taking into account our financial performance. We believe this pool-based bonus system helps foster teamwork and ensures that all executives work collectively to improve our performance.

2013 Non-Equity Incentive Plan

For 2013, the Board approved two bonus opportunities for our Named Executive Officers and other senior executives designated by the Compensation and Stock Option Plan Committee under our Management Non-Equity Incentive Bonus Plan.

The common measurement for both bonus opportunities is based on Adjusted Operating Income, which is determined as follows:

Income/(Loss) from Operations
 + Depreciation Expense
 + Amortization Expense
 + Stock Option Expense
 + Net Inventory Reduction/(Increase)
 = Adjusted Operating Income

1. Annual Bonus Opportunity

This bonus opportunity is available to senior management of the Company (including our senior executive officers). Our Named Executive Officers and other senior management designated by the Compensation and Stock Option Plan Committee will be eligible for a bonus if the Company achieves one of the four Adjusted Operating Income targets as of the end of fiscal year 2013. To achieve a bonus opportunity, the actual Adjusted Operating Income for fiscal year 2013 must be equal to or greater than the Adjusted Operating Income target as set forth below. The maximum potential bonus that an eligible senior executive officer will be entitled to receive under this bonus opportunity is 30% of his or her base salary. The maximum potential bonus for senior management, excluding senior executive officers, is 20% of his or her base salary.

The following table represents the 2013 net operating income targets and bonus opportunities:

2013 Adjusted Operating Income Targets – Annual Bonus

	1st Target	2nd Target	3rd Target	4th Target
Adjusted Operating Income*	\$10 million	\$11.5 million	\$13 million	\$14.3 million
Bonus Opportunity **	7.5% / 5.0%	15.0% / 10.0%	22.5% / 15.0%	30.0% / 20.0%

* Before accrual of Annual Bonus Opportunity.

** Senior executive officers / senior management exclusive of senior executive officers.

Based on the annual 2013 Adjusted Operating Income, the senior management of the Company (including our senior executive officers) did not qualify for any bonus as delineated above. Therefore, no bonuses were paid under this incentive plan.

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2. Quarterly Bonus Opportunity

This bonus opportunity is only available to senior executive officers. For 2013, the Board and the Compensation and Stock Option Plan Committee implemented a quarterly bonus opportunity as an incentive for our senior executive officers to achieve Adjusted Operating Income above the annual bonus targets. To achieve a bonus opportunity, the actual Adjusted Operating Income, after ratable accrual of the annual bonus, must exceed the quarterly Adjusted Operating Income target. Once a quarterly bonus is earned, it is not subject to forfeiture based on the failure to meet future Adjusted Operating Income targets. The maximum potential bonus that an eligible senior executive officer will be entitled to receive under this bonus opportunity is 100% of his or her salary if the Company meets all prescribed Adjusted Operating Income targets.

The following table represents the 2013 Adjusted Operating Income targets and bonus opportunities:

2013 Adjusted Operating Income Targets – Quarterly Bonus

	End of 2 nd Quarter	End of 3 rd Quarter	End of Year
Adjusted Operating Income*	\$8.6 million	\$14.2 million	\$18.7 million
Bonus Opportunity	25%	25%	50%

* After ratable accrual of Annual Bonus Opportunity.

The Named Executive Officers and other senior executives participating in both bonus opportunities will be paid the greater of the bonus amounts achieved pursuant to the two bonus opportunities, but cannot be paid under both the annual and quarterly bonus opportunities. Based on the actual Adjusted Operating Income achieved in 2013, the senior executive officers did not qualify for the bonus as delineated above. Therefore, no bonuses were paid under this incentive plan.

In summary, no bonuses were paid out in 2013 to the senior executive officers pursuant to the Quarterly Bonus Opportunity, nor to the senior management group, including the senior executive officers, pursuant to the Annual Bonus Opportunity.

In 2013, the Board and the Compensation and Stock Option Plan Committee awarded a discretionary cash bonus to Messrs. Sinnott and Bala, in addition to others in the executive management group. Although the Company did not achieve the targets set forth in the non-equity incentive plan, we granted these bonuses in connection with our 2013 operating results that included achieving net sales in 2013 in excess of 2012 net sales and operating the Company profitably during 2013. Prior to 2013, the Company had not achieved a year-over-year increase in net sales, nor full year profitability since 2007.

Table of Contents2014 Non-Equity Incentive Plan

For 2014, the Board has approved two bonus opportunities for our Named Executive Officers and other senior executives designated by the Compensation and Stock Option Plan Committee under our Management Non-Equity Incentive Bonus Plan.

The common measurement for both bonus opportunities is based on Income from Operations, as determined by generally accepted accounting principles (“GAAP”).

1. Annual Bonus Opportunity

This bonus opportunity is available to senior management of the Company (including our senior executive officers). Our Named Executive Officers and other senior management designated by the Compensation and Stock Option Plan Committee will be eligible for a bonus if the Company achieves one of the four Income from Operations targets as of the end of fiscal year 2014. To achieve a bonus opportunity, the actual Income from Operations for fiscal year 2014 must be equal to or greater than the Income from Operations target as set forth below. The maximum potential bonus that an eligible senior executive officer will be entitled to receive under this bonus opportunity is 30% of his or her base salary. The maximum potential bonus for senior management, excluding senior executive officers, is 20% of his or her base salary.

The following table represents the 2014 Income from Operations targets and bonus opportunities:

2014 Income from Operations Targets – Annual Bonus

	1st Target	2nd Target	3rd Target	4th Target
Income from Operations*	\$7 million	\$8 million	\$9 million	\$10 million
Bonus Opportunity **	7.5% / 5.0%	15.0% / 10.0%	22.5% / 15.0%	30.0% / 20.0%

* After accrual of Annual Bonus Opportunity.

** Senior executive officers / senior management exclusive of senior executive officers.

2. Quarterly Bonus Opportunity

This bonus opportunity is only available to senior executive officers. The quarterly bonus opportunity is an incentive for our senior executive officers to achieve Income from Operations above the annual bonus targets. To achieve a bonus opportunity, the actual Income from Operations, after ratable accrual of the annual bonus, must exceed the quarterly Income from Operations target. Once a quarterly bonus is earned, it is not subject to forfeiture based on the failure to meet future Income from Operations targets. The maximum potential bonus that an eligible senior executive officer will be entitled to receive under this bonus opportunity is 100% of his or her salary if the Company meets all prescribed Income from Operations targets.

The following table represents the 2014 Income from Operations targets and bonus opportunities:

2014 Income from Operations Targets – Quarterly Bonus

	End of 2 nd Quarter	End of 3 rd Quarter	End of Year
Adjusted Operating Income*	\$4.6 million	\$8.9 million	\$12.8 million
Bonus Opportunity	25%	25%	50%

* Before ratable accrual of Annual Bonus Opportunity.

The Named Executive Officers and other senior executives participating in both bonus opportunities will be paid the greater of the bonus amounts achieved pursuant to the two bonus opportunities, but cannot be paid under both the annual and quarterly bonus opportunities.

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For 2014, the maximum bonus opportunity (expressed as a percentage of base salary) that could be earned by each Named Executive Officer under each of the two bonus opportunities discussed above is as follows:

Named Executive Officer	Position	Maximum Potential Bonus (Annual Bonus opportunity)	Maximum Potential Bonus (Quarterly Bonus opportunity)
Robert A. Sinnott, Ph.D.	CEO and Chief Science Officer	30%	100%
Roy Truett	Former President of International and Chief Operating Officer, (resigned January 2014)	N/A	N/A
Alfredo Bala	President International, Executive Vice President, Chief Sales & Marketing Officer	30%	100%

401(k) Plan

On May 9, 1997, we adopted a 401(k) Pre-tax Savings Plan (the "401(k) Plan"). All full time employees, including our Named Executive Officers, who have completed three months of service and are at least 21 years of age are eligible to participate in our 401(k) Plan. During 2013, employees were allowed to contribute to our 401(k) Plan up to the maximum annual limit of their current annual compensation, as statutorily prescribed. The 401(k) plan permits matching employer contributions in the amount of \$0.50 for each \$1.00 contributed by a participating employee up to a maximum of 2% of the participant's annual salary. The 401(k) Plan also allows us to make discretionary profit-sharing contributions each year based upon our profit. Employee contributions and our matching contributions are paid to a corporate trustee and are invested as directed by the participant. Our contributions to our 401(k) Plan vest over five years or earlier if the participant retires at age 65, becomes disabled, or dies. Payments to participants may be made in the case of financial hardship, and distributions may be made in a lump sum. Our 401(k) Plan is intended to qualify under Section 401(a) of the Code, so that contributions made by employees or by us to our 401(k) Plan, and income earned on these contributions, are not taxable to our employees until withdrawn from the 401(k) Plan.

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2013 Outstanding Equity Awards at Fiscal Year End Table

The following table sets forth certain information about outstanding equity awards held by our Named Executive Officers at December 31, 2013:

Named Executive Officer	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan	
			Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$/Sh) and Option Expiration Date
Robert A. Sinnott, Ph.D.	600			February 22, 2018
	1,000			November 19, 2018
	7,499			December 21, 2019
	1,485			August 15, 2020
	10,584	5,000	(1)	February 20, 2023
Alfredo (Al) Bala		167	(2)	June 8, 2021
		5,000	(1)	February 20, 2023
		5,167		
Roy Truett		10,000		March 3, 2023 (3)
		10,000		

(1) The options vest in three equal annual installments beginning February 21, 2014.

(2) Stock options vest on June 9, 2014.

(3) Pursuant to Mr. Truett's resignation, all stock options were forfeited effective January 31, 2014.

Pension Benefits and Non-Qualified Deferred Compensation

Our Named Executive Officers do not participate in any pension plans (other than the 401(k) Plan) or non-qualified deferred compensation plans.

Option Exercises and Stock Vested

We have not granted stock awards to our Named Executive Officers and therefore, no stock awards vested in 2013. The following table sets forth certain information concerning the exercise of stock options held by our Named

Executive officers during 2013:

Named Executive Officer	Number of Shares Acquired on Exercise	Value Realized on Exercise ⁽¹⁾
Robert A. Sinnott, Ph.D.		\$
Alfredo (Al) Bala	3,330	\$ 14,468
Roy Truett		\$

(1) Value realized is calculated by multiplying the number of shares acquired by the difference between the market price on the date of exercise and the exercise price of the option.

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Potential Payments Upon Termination or Change in Control

Each of our employment agreements with our Named Executive Officers provides for certain payments and benefits in the event of early termination. However, none of these employment agreements requires payment upon a change in control of the Company. The 2008 Plan does, however, provide for accelerated vesting of options in the event of a change in control or other event for which the Board determines such accelerated vesting would be equitable under the circumstances. The following discussion summarizes our payment obligations to our Named Executive Officers upon termination or change in control (as defined under “Equity Compensation Plan Information” above) assuming such termination or change in control occurred on December 31, 2013:

Dr. Robert A. Sinnott, Ph.D. – CEO and Chief Science Officer:

Under the terms of his employment agreement, if Dr. Sinnott resigns for good reason or we terminate Dr. Sinnott without cause or due to disability, he will continue to receive his base salary for twelve months from the termination date. Notwithstanding the statement above, if Dr. Sinnott’s employment is terminated for cause, if he resigns without good reason, or is terminated due to his death, he is entitled to (i) any remaining base salary earned and not yet paid through the termination date; (ii) any annual bonus, or portion thereof, that is earned through the termination date; (iii) all reimbursable expenses due but not yet paid through the termination date; and (iv) all earned or vested benefits (or an amount equivalent to the value of such benefits) payable under our benefit plans or arrangements through the termination date. Under the employment agreement, a termination for “cause” means (A) we determined that Dr. Sinnott has neglected, failed, or refused to render the services or to perform any other of his duties or obligations under his employment agreement, (B) Dr. Sinnott’s violation of any provision or obligation under his employment agreement, (C) Dr. Sinnott’s indictment for, or plea of no contest with respect to, any crime that adversely affects or may adversely affect us or the utility of Dr. Sinnott’s services to us, or (D) any other act or omission of Dr. Sinnott involving fraud, theft, dishonesty, disloyalty, or illegality that harms or embarrasses us. Dr. Sinnott may resign for “good reason” if we (W) deny any compensation due under his employment agreement, (X) require him to be based outside of Dallas County, Texas, (Y) decrease his title or pay or remove a material portion of his significant duties or responsibilities without his consent, or (Z) breach his employment agreement. For purposes of the agreement, the term “disability” means Dr. Sinnott becomes incapacitated by accident, sickness, or other circumstances that, in the reasonable judgment of the Board renders or is expected to render Dr. Sinnott mentally or physically incapable of performing the essential duties and services required of him under the agreement, with or without reasonable accommodation, for a period of at least 90 consecutive calendar days. As of December 31, 2013, Dr. Sinnott’s annual base salary was \$350,000, which was increased to \$390,000 in February 2014. Dr. Sinnott’s employment agreement will expire on December 15, 2014.

The following table shows the potential payments upon termination of Dr. Sinnott’s employment under the circumstances described above or the occurrence of a change in control assuming such termination or change in control occurred on December 31, 2013.

Termination Event	Cash Severance	Acceleration of Equity Incentive Awards	Total Termination Payments
Termination With Cause	\$	\$	\$
Termination Without Cause	\$ 390,000	\$	\$ 390,000
Resignation for Good Reason	\$ 390,000	\$	\$ 390,000
Resignation without Good Reason	\$	\$	\$
Disability	\$ 390,000	\$	\$ 390,000
Death	\$	\$	\$

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Non-Renewal of his Employment Agreement	\$	\$	\$
Change in Control	\$	\$ 56,200	(1) \$

(1) Amount reflects 5,000 unvested stock options calculated using the difference between the exercise price of the options and the closing price of our common stock of \$16.96 on December 31, 2013.

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Alfredo (Al) Bala – President International, Executive Vice President, Chief Sales & Marketing Officer:

Under the terms of his employment agreement, if Mr. Bala resigns for good reason or we terminate Mr. Bala without cause or due to disability, he will continue to receive his base salary through the end of the agreement term or for a period of twelve months from his last day of employment, whichever is longer. Notwithstanding the statement above, if Mr. Bala's employment is terminated for cause, if he resigns without good reason, or is terminated due to his death, he is entitled to (i) any remaining base salary earned and not yet paid through the termination date; (ii) any annual bonus, or portion thereof, that is earned through the termination date; (iii) all reimbursable expenses due but not yet paid through the termination date; and (iv) all earned or vested benefits (or an amount equivalent to the value of such benefits) payable under our benefit plans or arrangements through the termination date. Under the agreement, a termination for "cause" means (A) we have determined that Mr. Bala has neglected, failed, or refused to render the services or to perform any other of his duties or obligations under the agreement, (B) Mr. Bala's violation of any provision or obligation under the agreement, (C) Mr. Bala's indictment for, or plea of no contest with respect to, any crime that adversely affects the utility of his services to us, or (D) any other act or omission of Mr. Bala involving fraud, theft, dishonesty, disloyalty, or illegality that harms or embarrasses us. The agreement defines a resignation for "good reason" as (W) any denial of compensation due and owing to Mr. Bala under the agreement, (X) any requirement that Mr. Bala be based anywhere other than Dallas County, Texas, except for travel incident to our business, (Y) our demotion of Mr. Bala in title or pay, or our removal of a material portion of Mr. Bala's significant duties or responsibilities without Mr. Bala's consent, or (Z) our material breach of the agreement. For purposes of the agreement, the term "disability" means Mr. Bala becomes incapacitated by accident, sickness, or other circumstances that, in the reasonable judgment of the Board renders or is expected to render Mr. Bala mentally or physically incapable of performing the essential duties and services required of him under the agreement, with or without reasonable accommodation, for a period of at least 90 consecutive calendar days. As of December 31, 2013, Mr. Bala's annual base salary was \$300,000 which was increased to \$324,000 in February 2014. Mr. Bala's employment agreement will expire on December 15, 2014.

The following table shows the potential payments upon termination of Mr. Bala's employment under the circumstances described above or the occurrence of a change in control assuming such termination or change in control occurred on December 31, 2013.

Termination Event	Cash Severance	Acceleration of Equity Awards	Total Termination Payments
Termination With Cause	\$	\$	\$
Termination Without Cause	\$ 324,000	\$	\$ 324,000
Resignation for Good Reason	\$ 324,000	\$	\$ 324,000
Resignation without Good Reason	\$	\$	\$
Disability	\$ 324,000	\$	\$ 324,000
Death	\$	\$	\$
Non-Renewal of his Employment Agreement	\$	\$	\$
Change in Control	\$	\$ 57,129	(1) \$ 57,129

(1) Amount reflects 5,167 unvested stock options calculated using the difference between the exercise price of the options and the closing price of our common stock of \$16.96 on December 31, 2013.

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Roy Truett – Former President of International and Chief Operating Officer:

Under the terms of his employment agreement, if Mr. Truett resigns for good reason or we terminate Mr. Truett without cause or due to disability, he will continue to receive his base salary through the end of the agreement term or for a period of twelve months from his last day of employment, whichever is longer. Notwithstanding the statement above, if Mr. Truett’s employment is terminated for cause, if he resigns without good reason, or is terminated due to his death, he is entitled to (i) any remaining base salary earned and not yet paid through the termination date; (ii) any annual bonus, or portion thereof, that is earned through the termination date; (iii) all reimbursable expenses due but not yet paid through the termination date; and (iv) all earned or vested benefits (or an amount equivalent to the value of such benefits) payable under our benefit plans or arrangements through the termination date. Under the agreement, a termination for “cause” means (A) we have determined that Mr. Truett has neglected, failed, or refused to render the services or to perform any other of his duties or obligations under the agreement, (B) Mr. Truett’s violation of any provision or obligation under the agreement, (C) Mr. Truett’s indictment for, or plea of no contest with respect to, any crime that adversely affects the utility of his services to us, or (D) any other act or omission of Mr. Truett involving fraud, theft, dishonesty, disloyalty, or illegality that harms or embarrasses us. The agreement defines a resignation for “good reason” as (W) any denial of compensation due and owing to Mr. Truett under the agreement, (X) any requirement that Mr. Truett be based anywhere other than Dallas County, Texas, except for travel incident to our business, (Y) our demotion of Mr. Truett in title or pay, or our removal of a material portion of Mr. Truett’s significant duties or responsibilities without Mr. Truett’s consent, or (Z) our material breach of the agreement. For purposes of the agreement, the term “disability” means Mr. Truett becomes incapacitated by accident, sickness, or other circumstances that, in the reasonable judgment of the Board renders or is expected to render Mr. Truett mentally or physically incapable of performing the essential duties and services required of him under the agreement, with or without reasonable accommodation, for a period of at least 90 consecutive calendar days. As of December 31, 2013, Mr. Truett’s annual base salary was \$340,000.

The following table shows the potential payments upon termination of Mr. Truett’s employment under the circumstances described above or the occurrence of a change in control assuming such termination or change in control occurred on December 31, 2013.

	Cash	Acceleration of Equity Awards	Total Termination Payments
Termination Event	Severance		
Termination With Cause	\$	\$	\$
Termination Without Cause	\$ 340,000	\$	\$ 340,000
Resignation for Good Reason	\$ 340,000	\$	\$ 340,000
Resignation without Good Reason	\$	\$	\$
Disability	\$ 340,000	\$	\$ 340,000
Death	\$	\$	\$
Non-Renewal of his Employment Agreement	\$	\$	\$
Change in Control	\$	\$ 112,700	\$ 112,700

On January 28, 2014, Mr. Truett resigned as President of International and Chief Operating Officer. In connection with Mr. Truett’s departure, on February 3, 2014, the Company and Mr. Truett entered into a Separation Agreement and Release, effective January 30, 2014 (the “Agreement”). Under the terms of the Agreement, the Company and Mr. Truett have agreed, among other things, that Mr. Truett was released from his post-employment non-compete obligations, provided that he complies with the terms and conditions of the Agreement. Mr. Truett’s last day with the Company was January 31, 2014.

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Named Executive Officers Stock Ownership Guidelines

We do not have stock ownership guidelines for our Named Executive Officers.

\$1 Million Pay Deductibility Cap

Under Section 162(m) of the Code (as interpreted by IRS Notice 2007- 49), public companies are precluded from receiving a tax deduction on compensation paid to their chief executive officer and the three most highly compensated officers of the company (other than the chief executive officer and the chief financial officer) if such officer's compensation exceeds \$1 million, unless the compensation is excluded from the \$1 million limit as a result of being classified as performance-based compensation. Currently, our executive officers' cash compensation levels have not exceeded the \$1 million limit, and our stock option grants qualify as performance-based compensation under Section 162(m). Nonetheless, we annually review all of our executive officers' compensation in an effort to comply with Section 162(m).

Compensation and Stock Option Plan Committee Interlocks and Insider Participation

Messrs. Jobe, Gilbert, Kennedy, and Toth served during 2013 and currently serve on our Compensation and Stock Option Plan Committee. None of these individuals is or has been an officer or employee of ours. None of our executive officers is a member of any other company's board of directors, or serves as a member of any other company's compensation committee that has or has had one or more executive officers serving as a member of the Board or our Compensation and Stock Option Plan Committee.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Transactions involving J. Stanley Fredrick

During 2013, we paid employment compensation of approximately \$155,000 in salary, bonus, auto allowance, and other compensation to Landen Fredrick, son of J. Stanley Fredrick, the Company's Chairman of the Board and a major shareholder. In addition, Landen Fredrick participated in the employee health care benefit plans available to all employees of the Company. Landen Fredrick has served as Vice President, Global Operations since May of 2013. Prior to that, Mr. Fredrick served as Vice President, North American Sales and Operations since January 2011, as Vice President, North American Sales since February 2010 and Senior Director of Tools and Training since his hire in May 2006.

Transactions involving Samuel Caster

Mr. Caster, the Company's founder and former Chairman of the Board, founded MannaRelief in 1999 and served as its Chairman from 1999 through August 2007. MannaRelief employs William A. Mullens, Mr. Caster's brother-in-law, as its Executive Director. Mr. Caster's wife, Linda Caster, serves as MannaRelief's Chairman of the Board. MannaRelief is a 501(c)(3) charitable organization that provides charitable services for children. MannaRelief is not owned or operated by the Company.

Historically, the Company has made cash donations to MannaRelief, sold products to MannaRelief at cost plus shipping and handling charges, and shipped products purchased by MannaRelief to its chosen recipients. In addition, certain Company employees and consultants periodically volunteer to work or host various fund raising projects and events for MannaRelief at no cost to MannaRelief. The Company has made cash donations and sold products to MannaRelief as follows:

2013	2012
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Sold Products	\$0.2 million	\$0.3 million
Contributed Cash Donations	\$0.9 million	\$0.1 million
Products donated in lieu of Cash	\$--	\$0.1 million

During 2013, the Company entered into three consulting agreements with Wonder Enterprises, LLC (f/k/a Salinda Enterprises, LLC, hereinafter “Wonder”) for consulting services performed by Mr. Caster, the owner and employee of Wonder. The first of these consulting agreements was entered into on March 6, 2013 and was effective from January 1, 2013 until May 31, 2013. The second consulting agreement was entered into on June 3, 2013 and was effective from June 1, 2013 until November 30, 2013. For each of these two consulting agreements, the Company paid Wonder \$300,000 plus reimbursable expenses. On December 4, 2013, the Company entered into the third consulting agreement with Wonder, effective on December 1, 2013. Pursuant to the terms of this consulting agreement, the Company paid Wonder \$150,000 plus reimbursable expenses. This consulting agreement was not renewed and terminated according to its terms on February 28, 2014. Currently, there is no outstanding consulting agreement with Wonder, and Mr. Caster no longer serves as a consultant to the Company.

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Transactions involving Ray Robbins

Mr. Ray Robbins is a member of the Company's Board of Directors and a major shareholder. Mr. Robbins holds positions in the Company's associate global downline network marketing system. In addition, several of Mr. Robbins' family members are independent associates. The Company pays commissions and incentives to its independent associates and during 2013 and 2012, the Company paid aggregate commissions and incentives to Mr. Robbins and his family of approximately \$2.6 million and \$3.0 million, respectively. The aggregate amount of commissions and incentives paid to Mr. Robbins was approximately \$2.4 million and \$2.6 million in 2013 and 2012, respectively. The aggregate amount of commissions and incentives paid to family members was approximately \$0.3 million and \$0.4 million in 2013 and 2012, respectively. The majority of \$0.3 million and \$0.4 million paid to family members in each of 2013 and 2012, respectively, was paid to his son, Kevin Robbins, in the amount of approximately \$0.2 million each year, as well as his daughter, Marla Finley, and his daughter-in-law, Demra Robbins, who both share an account that totaled approximately \$0.1 million and \$0.2 million in 2013 and 2012, respectively. All commissions and incentives were paid to Mr. Robbins and his family members in accordance with the Company's global associate career and compensation plan.

Review and Approval of Related Party Transactions

Our Audit Committee reviews all relationships and transactions, including relationships and transactions with our directors, director nominees, executive officers and their immediate family members, as well as holders known by us to own more than 5% of any class of our voting securities and their family members, who have a direct or indirect material interest. Although the Board does not have a formal policy with respect to related party transactions, in approving or rejecting such proposed transactions, our Audit Committee considers the nature of the related party transaction, the amount and material terms of the transaction, whether the transaction is on terms no less favorable to Mannatech than terms generally available in a similar transaction with an unaffiliated third party, whether the transaction would impair the judgment of a director or executive officer to act in the best interest of Mannatech, and other facts and circumstances available and deemed relevant to our Audit Committee.

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REPORT OF THE AUDIT COMMITTEE

Our purpose is to assist the Board in overseeing its financial reporting, internal controls, and audit functions. Larry A. Jobe has been the Audit Committee's Chairman since February 2007 and is designated by the Board as the financial expert of our Audit Committee. Other members include Messrs. Gerald E. Gilbert, Alan D. Kennedy and Robert A. Toth. The Board has determined that each of the Audit Committee's members meet the independence and financial literacy requirements for purposes of serving on such committee under applicable rules of NASDAQ and the SEC. We operate under a written charter adopted by the Board. We review and address the adequacy of our charter on an annual basis. See our Amended Audit Committee Charter, which is posted on the Company's corporate website at www.mannatech.com.

We are responsible for reviewing the Company's consolidated financial statements, its systems of internal controls, and internal control over financial reporting. The Company's independent registered public accounting firm is responsible for auditing our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"). Our activities are in no way designed to supersede or alter our responsibilities or the responsibilities of the Company's independent registered public accounting firm. We assist the Board in fulfilling its responsibilities for oversight of the quality and integrity of the Company's accounting, auditing, and reporting practices, and such other duties as directed by the Board. Our role does not provide any special assurances with regard to the Company's consolidated financial statements, nor does it involve a professional evaluation of the quality of audits performed by the Company's independent registered public accounting firm. We strengthened our ability to assist the Board of Directors, and formed a subcommittee called the Disclosure Committee. The Disclosure Committee is comprised of high level employees and officers who report to us and the Company's Chief Executive Officer and Chief Financial Officer. The Disclosure Committee is responsible for reviewing all of the Company's filings with the SEC. We have furnished the Board with the following report:

We have reviewed and discussed with the Company's management their consolidated audited financial statements as of and for the year ended December 31, 2013, and the certification process required by the Sarbanes-Oxley Act of 2002. The Company has represented to us that its consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. We have also discussed the following with BDO USA, LLP, the Company's independent registered public accounting firm: (i) the auditor's responsibilities, (ii) any significant issues arising during the audit, and (iii) other matters required to be discussed by Auditing Standard No. 16, "Communications with Audit Committees." We received the written disclosures from BDO USA, LLP required by Rule 3520 of the PCAOB. We have discussed with the Company's independent registered public accounting firm the accounting firm's independence from Company management. In addition, we have discussed the adequacy of the Company's internal control over financial reporting with the Company's independent registered public accounting firm and its management.

Based on the review and discussions referred to above, we recommended to the Board and the Board subsequently approved, that the Company's year-end audited consolidated financial statements be included in the Company's 2013 Annual Report on its Form 10-K for the year ended December 31, 2013 for filing with the SEC.

The Audit Committee

Larry A. Jobe, Chairman
Gerald E. Gilbert
Alan D. Kennedy
Robert A. Toth

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OTHER MATTERS

The Board does not know of any other matters that are to be presented for action at the 2014 Annual Shareholders' Meeting. However, if any other matters properly come before us at the 2014 Annual Shareholders' Meeting or any adjournments or postponements thereof, it is intended that the enclosed proxy will be voted in accordance with the judgment of the persons voting the proxy.

ADDITIONAL INFORMATION AVAILABLE

ACCOMPANYING THIS PROXY STATEMENT IS A COPY OF OUR 2013 ANNUAL SHAREHOLDERS' REPORT, WHICH INCLUDES CERTAIN INFORMATION THAT WAS CONTAINED IN OUR ANNUAL REPORT ON FORM 10-K. OUR ANNUAL SHAREHOLDERS' REPORT AND FORM 10-K CAN BE VIEWED ON OUR CORPORATE WEBSITE AT WWW.MANNATECH.COM OR UPON WRITTEN REQUEST BY ANY SHAREHOLDER.

FORWARD-LOOKING STATEMENTS

Certain disclosures and analysis in this proxy statement may include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to certain events, risks, and uncertainties that may be outside our control. Forward-looking statements generally can be identified by use of phrases or terminology such as "may," "will," "should," "could," "would," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "projects," "potential," or "continue" or the negative of such terms and other comparable terminology. Similarly, descriptions of our objectives, strategies, plans, goals, targets, or other statements other than statements of historical fact contained herein are also considered forward-looking statements. All of these statements are based on assumptions that are subject to change and other risks. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Certain risks and uncertainties inherent in our business are set forth in our filings with the SEC. Estimates of future financial or operating performance provided by us are based on existing market conditions and information available at this time. Actual financial and operating performance may be higher or lower. Future performance is dependent upon many factors, including the success of our international operations, our ability to attract and retain associates, changes in laws and governmental regulations and changes in market conditions. All subsequent written and oral forward-looking statements attributable to us or to individuals acting on our behalf are expressly qualified in their entirety by this paragraph.

By order of our Board of Directors,

J. Stanley Fredrick
Chairman of the Board of Directors

Dated: April 15, 2014

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Appendix A

MANNATECH, INCORPORATED
FREQUENTLY ASKED QUESTIONS

Our Board of Directors (the “Board”) urges all shareholders to read all of the information included in the proxy materials provided to them. As a courtesy, the Board is providing each shareholder with the following list of frequently asked questions in hopes of eliminating some of the more commonly asked questions and keeping our shareholders informed of the various policies and procedures that must be followed for the 2014 Annual Shareholders’ Meeting.

1. Why did I receive a Notice of Internet Availability of Proxy Materials this year instead of a paper copy of the proxy materials?

Pursuant to rules promulgated by the SEC, we are providing access to our proxy materials over the Internet. As a result, we are mailing to many of our shareholders a Notice of Internet Availability of Proxy Materials instead of a paper copy of our proxy materials. The notice contains instructions on how to access our proxy materials over the Internet, as well as instructions on how to request a paper copy of our proxy materials by mail.

2. Why didn’t I receive a Notice of Internet Availability of Proxy Materials?

We are providing some of our shareholders, including those who have previously requested to receive paper copies of the proxy materials, with paper copies of the proxy materials instead of the Notice of Internet Availability of Proxy Materials. In addition, we are providing the Notice of Internet Availability of Proxy Materials by e-mail to those shareholders who have previously elected delivery of the proxy materials electronically. Those shareholders should have received an e-mail containing a link to the website where materials are available.

If you received a paper copy of the proxy materials, you may elect to receive future proxy materials electronically by following the instructions on your proxy card or voting instruction form. Choosing to receive your future proxy materials by e-mail will help us conserve natural resources and reduce the costs of printing and distributing our proxy materials.

3. How can I access the proxy materials over the Internet?

Your Notice of Internet Availability of Proxy Materials or proxy card will contain instructions on how to view our proxy materials for the 2014 Annual Shareholders’ Meeting on the Internet. Our proxy materials are also available on our company website at <http://www.mannatech.com>.

4. What is the difference between a proxy-voting card and a ballot?

A proxy-voting card is mailed to a shareholder. The proxy-voting card gives specific instructions on how to cast a vote prior to our 2014 Annual Shareholders’ Meeting by mail, telephone, or the Internet. The instructions on the proxy-voting card are different depending on whether the shareholder owns shares directly or through a broker. Shareholders should read and follow all of the instructions in their packets to ensure their votes are counted. Ballots will be handed out at the 2014 Annual Shareholders’ Meeting to shareholders of record who own shares on the close of business on April 4, 2014.

5. What shares owned by a shareholder can be voted either by proxy or at the 2014 Annual Shareholders’ Meeting?

All shares owned directly by a shareholder of record or indirectly as a beneficial owner as of the record date, April 4, 2014, may be voted by the shareholder prior to the meeting by telephone or through the Internet, or by returning a

proxy card, without having to attend the shareholder meeting in person. At the 2014 Annual Shareholders' Meeting, shares may be voted using a ballot by (i) shareholders of record who are verified with a valid form of identification and (ii) beneficial owners who are verified with a power of attorney from the broker of record giving them authority to vote at the meeting. If a shareholder does not have this information from his or her broker, our Inspector of Elections will not be able to count such shareholder's vote because the broker may have already cast a vote on such shareholder's behalf. We strongly recommend that a shareholder read the instructions on the Notice of Internet Availability of Proxy Materials or on the proxy-voting card received by the shareholder or provided by the shareholder's broker prior to the 2014 Annual Shareholders' Meeting to understand how to cast a vote at the meeting. A shareholder's broker can usually mail or fax a shareholder any necessary paperwork prior to the meeting.

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6. What is the difference between direct ownership and beneficial ownership?

A shareholder has **DIRECT OWNERSHIP** over its shares if such shareholder is a holder of record of our common stock, meaning the shareholder either holds stock certificates in the shareholder's own name or holds book-entry shares registered in the shareholder's own name. This is evidenced by the shareholder's receipt of all mailings directly from either our transfer agent, Computershare, or us. A shareholder has **BENEFICIAL OWNERSHIP** over its shares if such shareholder has delivered its stock certificates to a broker or purchased shares through a broker and receives all of our mailings either from a broker or through a solicitor, which is usually Broadridge Financial Solutions, Inc. As a beneficial owner, the shareholder still owns the shares, but our transfer agent does not have individual shareholders' names from the brokers. The only information our transfer agent has is the aggregate total number of shares each broker of record holds on behalf of its clients.

7. How is voting different for direct holders versus beneficial owners?

Our transfer agent has the names of the shareholders who directly hold shares of our common stock, but it does not have any detailed information (such as the individual names or number of shares held) concerning shareholders who own shares through brokers. Only the individual brokers have the detailed information about each shareholder's beneficial ownership. Each brokerage group is responsible for reporting its clients' votes to our transfer agent and for providing all mailings to our shareholders who own stock through their brokerage firm. Each brokerage group also has its own set of instructions on how to cast a vote with such brokerage firm.

8. What does it mean if I received more than one set of materials?

This means your shares are registered with different names. For example, you may own some shares directly as a "holder of record" and other shares through a broker in "street name," or you may own shares through more than one broker. In these situations, you may receive multiple sets of proxy materials. It is necessary for you either to attend in person (please note, however, that if a broker or other nominee holds your shares of record and you wish to vote at the meeting, you must obtain from that registered holder a proxy card issued in your name), follow the instructions to vote your shares by telephone or through the Internet provided in the Notice of Internet Availability of Proxy Materials or return a signed, dated and marked proxy card if you received a paper copy of the proxy card. If you vote by mail, make sure you return each proxy card in the return envelope that accompanied that proxy card.

9. Can I change my proxy vote?

Both direct shareholders and beneficial shareholders can revoke a proxy-vote prior to commencement of the 2014 Annual Shareholders' Meeting. Attendance at the 2014 Annual Shareholders' Meeting will not in itself constitute a revocation of a shareholder's proxy-vote. Generally, shareholders may revoke their proxy-vote by submitting a new proxy-vote with a later date or by voting in person at our 2014 Annual Shareholders' Meeting. Shareholders should call the telephone number listed within the shareholder information packets to obtain specific instructions on how to revoke their proxy-vote. Specific instructions on how to revoke a proxy-vote may be different depending on whether a shareholder is a direct shareholder of record or a beneficial shareholder.

Each set of instructions should include the shareholder's account number and the solicitor's telephone number and email address. Our Inspector of Elections will only count the verified proxy-votes received from each shareholder and brokerage firm with the latest date. Each share of our common stock represents one vote. Shareholders should call the telephone number provided to them in their shareholder information packets if they are unsure or have any questions. Telephone numbers may be different depending on whether a shareholder is a direct shareholder of record or a beneficial shareholder. The telephone numbers may also be different if a shareholder holds shares at different brokerage firms.

10. How can I attend the 2014 Annual Shareholders' Meeting?

The 2014 Annual Shareholders' Meeting will be held on May 28, 2014 at 9:00 a.m., Central Daylight Time, at the Grapevine Convention Center in Grapevine, Texas. Shareholders will be admitted upon check-in. No cameras or recording equipment will be permitted in the meeting room.

11. Where can I find the voting results of the 2014 Annual Shareholders' Meeting?

We will announce preliminary voting results of the 2014 Annual Shareholders' Meeting in a press release issued on or about May 28, 2014, and will publish final voting results on Form 8-K, which is expected to be filed with the Securities and Exchange Commission ("SEC") on or before June 3, 2014.

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12. Can I have someone else cast a vote for me at the 2014 Annual Shareholders' Meeting?

In order to have someone else cast your vote at the meeting, you must provide the person with whom you would like to cast your vote a power of attorney form. This person is called a shareholder designee ("designee"). A valid power of attorney form must be notarized and contain the following:

- the date;
- the full name of the designee;
- the number of shares you hold and to be voted by the designee;
- the nature and extent of the authority granted to the designee;
- the expiration date that terminates the designee's rights to cast your vote on your behalf; and
- your signature.

The original power of attorney form must be attached to the ballot that is turned in at the meeting by the designee. If you are a beneficial owner, you must also provide the proper documentation from your broker of record to the designee, which would allow you to vote and attend the meeting. The designee should then attach all of the original form(s) to the ballot to be turned in at the 2014 Annual Shareholders' Meeting.

The designee must complete a separate ballot and attach the original power of attorney form and/or the proper documentation from the broker (only if the shares are held through a broker) and must sign each ballot as your designee.

13. How can I vote against some or all of the nominees for the Board?

To vote against some or all of our Board nominees, you should check the "WITHHOLD ALL" or the "FOR ALL EXCEPT" boxes next to the name of each of the applicable nominees on the proxy-voting card or ballot.

14. How can I write-in a nominee for the Board?

You CANNOT write-in additional Board nominees on your proxy-voting card when voting by mail, telephone, or the Internet. You may ONLY write-in the names of additional nominees for whom you wish to vote in person on the ballot at the 2014 Annual Shareholders' Meeting.

To write-in a nominee on the ballot at the 2014 Annual Shareholders' Meeting, you should check the "FOR ALL EXCEPT" box and identify the nominees for which you desire to vote against. You should then write-in your nominee(s) in the blank provided. You may only write-in as many nominees as you voted against. For example, if there were a total of three nominees listed on the ballot and you withheld a vote for two of the three nominees, two additional nominees may be written in.

15. How can I recommend that a person be listed on the ballot as a nominee for the Board?

Shareholder recommendations for nominee(s) for the Board should have been submitted to our CFO by December 31, 2013, in order for the Board to have considered such persons for nomination at the 2014 Annual Shareholders' Meeting. Nominee recommendations should include a candidate's name, age, biographical information, and qualifications. Upon receipt, our CFO forwards the list of nominees to our Nominating/Governance and Compliance Committee. Our Nominating/Governance and Compliance Committee reviews all of the nominees and recommends a list of nominees to the Board. The Board then votes on the nominees. Only the nominees approved by the Board will be listed on our ballot, proxy-voting card, and in our proxy statement on Schedule 14A, which is expected to be filed with the SEC on or before April 15, 2014. To submit recommendations for a nominee to the Board at the 2015 Annual Shareholder Meeting, a shareholder should submit in writing the nominees information to our CFO by December 31,

2014. The nomination should be either faxed to (972) 471-7342 or mailed to our CFO at Mannatech, Incorporated, 600 S. Royal Lane, Suite 200, Coppell, Texas 75019.

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16. How are the votes counted?

Our Inspector of Elections will be responsible for tabulating all of the votes for the 2014 Annual Shareholders' Meeting. The presence, in person or by proxy-vote, of the holders of at least a majority of shares of our common stock outstanding, as of the record date, is necessary to have a quorum for the 2014 Annual Shareholders' Meeting. "ABSTAIN" votes and "broker non-votes" will be counted as present for purposes of determining a quorum. A "broker non-vote" occurs when brokers holding shares in "street name" have not received voting instructions from the beneficial owner and either chooses not to vote those shares on a routine matter at the 2014 Annual Shareholders' Meeting or is not permitted to vote those shares on a non-routine matter.

In tabulating the votes, if a proxy-vote or ballot is signed by the shareholder but submitted without providing specific voting instructions, the shareholder's vote will be counted as a vote "FOR" each of the proposals. If your shares are held in "street name" and you do not provide specific voting instructions to your broker, then your shares will not be included in the vote for Proposal 1 (Election of Director), Proposal 3 ("Say-on-Pay" Advisory Vote) or Proposal 4 (Incentive Plan Amendment), but will be voted at the discretion of your broker with respect to Proposal 2 (Ratification of Auditors).

For Proposal 1 (Election of Director) — If a quorum is obtained, our Class III directors will be elected by a plurality of the shares represented, in person or by proxy, at the 2014 Annual Shareholders' Meeting and entitled to vote. This means that the two nominees receiving the highest number of affirmative votes at the meeting will be elected as our two Class III directors. Votes marked "FOR ALL" will be counted in favor of all nominees. Votes marked "WITHHOLD ALL" will be counted against all nominees. To specify differently, a shareholder must check the "FOR ALL EXCEPT" box and then write the names of the nominees for whom the shareholder wishes to vote against. Votes marked "WITHHOLD ALL" have no effect on the vote since a plurality of the votes is required for the election of each nominee. Shareholders may not abstain from voting with respect to the election of directors.

A shareholder cannot write-in the names of additional nominees when voting by proxy. However, at the meeting, shareholders of record will be allowed to write-in additional names of nominee(s) on the ballot. To write-in a nominee on the ballot, the shareholder will need to check the "FOR ALL EXCEPT" box and identify each of the nominees for which the shareholder does not wish to vote in the space provided. The shareholder will then be allowed to write-in only as many nominees as the shareholder has withheld votes from. For example, if there are a total of two nominees listed on the ballot and the shareholder wishes to withhold its vote for one of the two nominees, the shareholder should list the names of the one nominee for whom the vote is withheld and write-in up to one additional names for nominees to the Board.

For Proposal 2 (Ratification of Auditors) — If a quorum is obtained, and a majority of the shares represented, in person or by proxy, at the 2014 Annual Shareholders' Meeting and entitled to vote, are in favor of Proposal 2, the ratification of the appointment of our independent registered public accounting firm for the year ended December 31, 2014, will be approved. Votes marked "FOR" Proposal 2 will be counted in favor of the ratification of the appointment of our independent registered public accounting firm for the year ended December 31, 2014. An abstention from voting on Proposal 2 will not be voted on that item, although it will be counted for purposes of determining the number of shares represented and entitled to vote. Accordingly, an "ABSTENTION" will have the same effect as a vote "AGAINST" Proposal 2.

For Proposal 3 ("Say-on-Pay" Advisory Vote) — If a quorum is obtained, and a majority of shares represented, in person or by proxy, at the 2014 Annual Shareholders' Meeting and entitled to vote, are in favor of Proposal 3 the current executive compensation program will be approved by shareholders on an advisory basis. Votes marked "FOR" Proposal 3 will be counted in favor of the current executive compensation program. An abstention from voting on Proposal 3 will not be voted on that item, although it will be counted for purposes of determining the number of shares represented and entitled to vote. Accordingly, an "ABSTENTION" will have the same effect as a vote "AGAINST" Proposal 3. "Broker non-votes" are not considered shares entitled to vote for purposes of Proposal 3 and thus will have

no effect on the outcome of the approval, on an advisory basis, of our executive compensation program.

For Proposal 4 (Incentive Plan Amendment) — If a quorum is obtained, and a majority of the shares represented, in person or by proxy, at the 2014 Annual Shareholders' Meeting and entitled to vote, are voted in favor of Proposal 4 (Incentive Plan Amendment), our 2008 Stock Incentive Plan will be amended to increase the number of shares of common stock subject to the plan by 130,000. Votes marked "FOR" Proposal 4 (Incentive Plan Amendment) will be counted in favor of amendment of the 2008 Stock Incentive Plan. An abstention from voting on Proposal 4 will not be voted on that proposal, although it will be counted for purposes of determining the number of shares represented and entitled to vote. Accordingly, an "ABSTENTION" will have the same effect as a vote "AGAINST" Proposal 4. "Broker non-votes" are not considered shares entitled to vote for purposes of Proposal 4 and thus will have no effect on the outcome of the approval of the amendment of the 2008 Stock Incentive Plan.

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17. What should I do if I never received my proxy materials or if the proxy materials have been lost?

You should contact your broker's customer service department. The broker should verify that you were a shareholder on the close of business on April 4, 2014 and give you specific instructions on how to obtain new proxy materials and cast a vote. Anyone can view our 2014 proxy statement by logging onto our corporate website, www.mannatech.com.
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Appendix B

MANNATECH, INCORPORATED
2008 STOCK INCENTIVE PLAN

(As proposed to be amended at the 2014 Annual Meeting of Shareholders)

1. Purpose; Eligibility.

1.1. General Purpose. The name of this plan is the Mannatech, Incorporated 2008 Stock Incentive Plan (the “Plan”). The purpose of the Plan is to enable Mannatech, Incorporated, a Texas corporation (the “Company”), and any Affiliate to obtain and retain the services of the types of Employees, Consultants and Directors who will contribute to the Company’s long range success and to provide incentives that are linked directly to increases in share value which will inure to the benefit of all shareholders of the Company.

1.2. Eligible Award Recipients. The persons eligible to receive Awards are the Employees, Consultants and Directors of the Company and its Affiliates.

1.3. Available Awards. The purpose of the Plan is to provide a means by which eligible recipients of Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of one or more of the following Awards: (a) Incentive Stock Options; (b) Nonstatutory Stock Options; and (c) Restricted Stock.

2. Definitions.

2.1. “409A Award” means an Award that is considered “nonqualified deferred compensation” within the meaning of Section 409A of the Code and Section 8 of this Plan.

2.2. “Administrator” means the Board or the Committee appointed by the Board in accordance with Section 3.5.

2.3. “Affiliate” means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code and any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture or unincorporated organization that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the Company. For this purpose “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of another, whether through ownership of voting securities, by contract or otherwise.

2.4. “Award” means any right granted under the Plan, including an Incentive Stock Option, a Nonstatutory Stock Option, Restricted Stock, and a 409A Award.

2.5. “Award Agreement” means a written agreement between the Company and a holder of an Award evidencing the terms and conditions of an individual Award grant. Each Award Agreement shall be subject to the terms and conditions of the Plan.

2.6. “Beneficial Owner” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” shall be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

2.7. “Board” means the Board of Directors of the Company.
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- 2.8. “Cashless Exercise” has the meaning set forth in Section 6.4.
- 2.9. “Cause” means, (a) with respect to any Participant who is a party to an employment or service agreement or employment policy manual with the Company or its Affiliates and such agreement or policy manual provides for a definition of Cause, as defined therein and (b) with respect to all other Participants, (i) the commission of, or plea of guilty or no contest to, a felony or a crime involving moral turpitude or the commission of any other act involving willful malfeasance or material fiduciary breach with respect to the Company or an Affiliate, (ii) conduct tending to bring the Company into substantial public disgrace, or disrepute, (iii) gross negligence or willful misconduct with respect to the Company or an Affiliate or (iv) material violation of state or federal securities laws. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to whether a Participant has been discharged for Cause.
- 2.10. “Change in Control” shall mean:
- (a) The direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company to any “person” (as that term is used in Section 13(d)(3) of the Exchange Act);
 - (b) The Incumbent Directors cease for any reason to constitute at least a majority of the Board;
 - (c) The adoption of a plan relating to the liquidation or dissolution of the Company; or
 - (d) The consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” or “group” (as such terms are used in Section 13(d) of the Exchange Act), becomes the Beneficial Owner of more than fifty percent (50%) of the voting power of the Company.
- The foregoing notwithstanding, a transaction shall not constitute a Change in Control if: (i) its sole purpose is to change the state of the Company’s incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company’s securities immediately before such transaction; (ii) it constitutes a secondary public offering that results in any security of the Company being listed (or approved for listing) on any securities exchange or designated (or approved for designation) as a security on an interdealer quotation system; (iii) it constitutes a change in Beneficial Ownership that results from a change in ownership in an existing shareholder; or (iv) solely because fifty percent (50%) or more of the total voting power of the Company’s then outstanding securities is acquired by (A) a trustee or other fiduciary holding securities under one or more employee benefit Plans of the Company or any Affiliate or (B) any company which, immediately prior to such transaction, is owned directly or indirectly by the shareholders of the Company in substantially the same proportion as their ownership of stock in the Company immediately prior to such acquisition.
- 2.11. “Code” means the Internal Revenue Code of 1986, as amended.
- 2.12. “Committee” means a committee of one or more members of the Board appointed by the Board to administer the Plan in accordance with Section 3.5.
- 2.13. “Common Stock” means the common stock, \$0.0001 par value per share of the Company.
- 2.14. “Company” means Mannatech, Incorporated, a Texas corporation.
- 2.15. “Consultant” means any person, including an advisor (a) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services or who provides bona fide consulting or advisory services to the Company or an Affiliate pursuant to a written agreement or (b) who is a member of the Board

of Directors of an Affiliate; provided that, except as otherwise permitted in Section 5.4(b) hereof, such person is a natural person and such services are not in connection with the offer or sale of securities in a capital raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities.

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2.16. “Continuous Service” means that the Participant’s service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Participant’s Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or a Director will not constitute an interruption of Continuous Service. The Administrator or its delegate, in its sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal or family leave of absence.

2.17. “Covered Employee” means the chief executive officer and the four other highest compensated officers of the Company for whom total compensation is or would be required to be reported to shareholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

2.18. “Date of Grant” means, provided the key terms and conditions of the Award are communicated to the Participant within a reasonable period of time following the Administrator’s action, the date on which the Administrator adopts a resolution, or takes other appropriate action, expressly granting an Award to a Participant that specifies the key terms and conditions of the Award and from which the Participant begins to benefit from or be adversely affected by subsequent changes in the Fair Market Value of the Company Common Stock or, if a subsequent date is set forth in such resolution or determined by the Administrator as the Date of Grant, then such date as is set forth in such resolution. In any situation where the terms of the Award are subject to negotiation with the Participant, the Date of Grant shall not be earlier than the date the key terms and conditions of the Award are communicated to the Participant.

2.19. “Detrimental Activity” means: (a) violation of the terms of any agreement with the Company concerning non-disclosure, confidentiality, intellectual property, privacy or exclusivity; (b) disclosure of the Company’s confidential information to anyone outside the Company, without prior written authorization from the Company, or in conflict with the interests of the Company, whether the confidential information was acquired or disclosed by the Participant during or after employment by the Company; (c) failure or refusal to disclose promptly or assign to the Company all right, title and interest in any invention, work product or idea, patentable or not, made or conceived by the Participant during employment by the Company, relating in any manner to the interests of the Company or, the failure or refusal to do anything reasonably necessary to enable the Company to secure a patent where appropriate in the United States and in other countries; (d) activity that is discovered to be grounds for or results in termination of the Participant’s employment for Cause; (e) any breach of a restrictive covenant contained in any employment agreement, Award Agreement or other agreement between the Participant and the Company, during any period for which a restrictive covenant prohibiting Detrimental Activity, or other similar conduct or act, is applicable to the Participant during or after employment by the Company; (f) any attempt directly or indirectly to induce any Employee of the Company to be employed or perform services or acts in conflict with the interests of the Company; (g) any attempt, in conflict with the interests of the Company, directly or indirectly, to solicit the trade or business of any current or prospective customer, client, supplier or partner of the Company; (h) the conviction of, or guilty plea entered by, the Participant for any felony or a crime involving moral turpitude whether or not connected with the Company; or (i) the commission of any other act involving willful malfeasance or material fiduciary breach with respect to the Company.

2.20. “Director” means a member of the Board.

2.21. “Disability” means that the Optionholder is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment; provided, however, for purposes of determining the term of an Incentive Stock Option pursuant to Section 6.10 hereof, the term Disability shall have the meaning ascribed to it under Code Section 22(e)(3). The determination of whether an individual has a Disability shall be determined under procedures established by the Administrator. Except in situations where the Administrator is determining Disability

for purposes of the term of an Incentive Stock Option pursuant to Section 6.10 hereof within the meaning of Code Section 22(e)(3), the Administrator may rely on any determination that a Participant is disabled for purposes of benefits under any long-term disability plan maintained by the Company or any Affiliate in which a Participant participates.

2.22. “Effective Date” shall mean February 21, 2008, the date the Board adopted the Plan.

2.23. “Employee” means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director’s fee by the Company or an Affiliate shall not be sufficient to constitute “employment” by the Company or an Affiliate.

2.24. “Exchange Act” means the Securities Exchange Act of 1934, as amended.

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- 2.25. “Existing Plan” means the Mannatech, Incorporated 2000 Stock Option Plan.
- 2.26. “Fair Market Value” means, as of any date, the value of the Common Stock as determined below. The Fair Market Value on any date on which the Company’s shares of Common Stock are readily tradable on an established securities market shall be: (a) if the Common Stock is admitted to trading on a national securities exchange or recognized market for which closing prices are reported on any date, the Fair Market Value on any given date shall not be less than the closing price reported for the Common Stock on the principal national securities exchange or recognized market on which the Company’s Common Stock is listed or admitted to trading for such date or, if no sales were reported for such date, for the last date preceding the date on which such a sale was reported; or (b) if closing prices are not reported, the Fair Market Value on any given date shall not be less than the average of the highest bid and lowest asked prices of the Common Stock reported for such date or, if no bid and asked prices were reported for such date, for the last day preceding such date for which such prices were reported. In the absence of an established market for the Common Stock, the Fair Market Value determined in good faith by the Administrator through the reasonable application of a reasonable valuation method based on the facts and circumstances as of the valuation date, including by an independent appraisal that meets the requirements of Code Section 401(a)(28)(C) and the regulations promulgated thereunder as of a date that is no more than twelve (12) months before the relevant transaction to which the valuation is applied (for example, the grant date of a stock option), and such determination shall be conclusive and binding on all persons.
- 2.27. “Form S-8” has the meaning set forth in Section 5.4(b).
- 2.28. “Incentive Stock Option” means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.
- 2.29. “Incumbent Directors” means individuals who, on the Effective Date, constitute the Board, provided that any individual becoming a Director subsequent to the Effective Date whose election or nomination for election to the Board was approved by a vote of at least two-thirds of the Incumbent Directors then on the Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for Director without objection to such nomination) shall be an Incumbent Director. No individual initially elected or nominated as a Director of the Company as a result of an actual or threatened election contest with respect to Directors or as a result of any other actual or threatened solicitation of proxies by or on behalf of any person other than the Board shall be an Incumbent Director.
- 2.30. “Listing Date” means the first date upon which any security of the Company is required to be registered under Section 12 of the Exchange Act and is listed (or approved for listing) upon notice of issuance on any securities exchange or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system.
- 2.31. “Market Stand-Off” has the meaning set forth in Section 15.
- 2.32. “Non-Employee Director” means a Director who is a “non-employee director” within the meaning of Rule 16b-3.
- 2.33. “Nonstatutory Stock Option” means an Option not intended to qualify as an Incentive Stock Option.
- 2.34. “Officer” means (a) before the Listing Date, any person designated by the Company as an officer and (b) on and after the Listing Date, a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.
- 2.35. “Option” means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

2.36. “Option Agreement” means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan and need not be identical.

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- 2.37. “Optionholder” means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.
- 2.38. “Outside Director” means a Director who is an “outside director” within the meaning of Section 162(m) of the Code and Treasury Regulations § 1.162-27(e)(3).
- 2.39. “Participant” means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Award.
- 2.40. “Permitted Transferee” means: (a) any spouse, parents, siblings (by blood, marriage or adoption) or lineal descendants (by blood, marriage or adoption) of a Participant; (b) any trust or other similar entity for the benefit of a Participant or the Participant’s spouse, parents, siblings or lineal descendants; provided, however, that any transfer made by a Participant to a Permitted Transferee may only be made if the Permitted Transferee, prior to the time of transfer of stock, agrees in writing to be bound by the terms of this Plan and provides written notice to the Company of such transfer.
- 2.41. “Plan” means this Mannatech, Incorporated 2008 Stock Incentive Plan.
- 2.42. “Restricted Period” has the meaning set forth in Section 7.1.
- 2.43. “Restricted Stock” has the meaning set forth in Section 7.1.
- 2.44. “Right of Repurchase” means the Company’s option to repurchase unvested Common Stock acquired under the Plan upon the Participant’s termination of Continuous Service pursuant to Section 11.7.
- 2.45. “Rule 16b-3” means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.
- 2.46. “Rule 701” has the meaning set forth in Section 5.4(a).
- 2.47. “Securities Act” means the Securities Act of 1933, as amended.
- 2.48. “Stock for Stock Exchange” has the meaning set forth in Section 6.4.
- 2.49. “Surviving Entity” means the Company if immediately following any merger, consolidation or similar transaction, the holders of outstanding voting securities of the Company immediately prior to the merger or consolidation own equity securities possessing more than fifty percent (50%) of the voting power of the entity existing following the merger, consolidation or similar transaction. In all other cases, the other entity to the transaction and not the Company shall be the Surviving Entity. In making the determination of ownership by the shareholders of an entity immediately after the merger, consolidation or similar transaction, equity securities which the shareholders owned immediately before the merger, consolidation or similar transaction as shareholders of another party to the transaction shall be disregarded. Further, outstanding voting securities of an entity shall be calculated by assuming the conversion of all equity securities convertible (immediately or at some future time) into shares entitled to vote.
- 2.50. “Ten Percent Shareholder” means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

3. Administration.

3.1. Administration by Board. The Plan shall be administered by the Board unless and until the Board delegates administration to a Committee, as provided in Section 3.5.

3.2. Powers of Administrator. The Administrator shall have the power and authority to select and grant to Participants, Awards pursuant to the terms of the Plan.

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3.3. Specific Powers. In particular, the Administrator shall have the authority: (a) to construe and interpret the Plan and apply its provisions; (b) to promulgate, amend, and rescind rules and regulations relating to the administration of the Plan; (c) to authorize any person to execute, on behalf of the Company, any instrument required to carry out the purposes of the Plan; (d) to delegate its authority to one or more Officers of the Company with respect to Awards that do not involve Covered Employees or “insiders” within the meaning of Section 16 of the Exchange Act, provided such delegation is pursuant to a resolution that specifies the total number of shares of Common Stock that may be subject to Awards by such Officer and such Officer may not make an Award to himself or herself; (e) to determine when Awards are to be granted under the Plan; (f) from time to time to select, subject to the limitations set forth in this Plan, those Participants to whom Awards shall be granted; (g) to determine the number of shares of Common Stock to be made subject to each Award; (h) to determine whether each Option is to be an Incentive Stock Option or a Nonstatutory Stock Option; (i) to prescribe the terms and conditions of each Award, including, without limitation, the exercise price and medium of payment, vesting provisions and Right of Repurchase provisions, and to specify the provisions of the Award Agreement relating to such grant or sale; (j) to amend any outstanding Awards, including for the purpose of modifying the time or manner of vesting, the purchase price or exercise price, or the term of any outstanding Award; provided, however, that if any such amendment impairs a Participant’s rights or increases a Participant’s obligations under his or her Award, such amendment shall also be subject to the Participant’s consent (provided, however, a cancellation of an Award where the Participant receives a payment equal in value to the Fair Market Value of the vested Award or, in the case of vested Options, the difference between the Fair Market Value of the Common Stock subject to an Option and the exercise price, shall not constitute an impairment of the Participant’s rights that requires consent); (k) to determine the duration and purpose of leaves of absences which may be granted to a Participant without constituting termination of their Continuous Service for purposes of the Plan, which periods shall be no shorter than the periods generally applicable to Employees under the Company’s employment policies; (l) to make decisions with respect to outstanding Awards that may become necessary upon a Change in Control or an event that triggers anti-dilution adjustments; and (m) to exercise discretion to make any and all other determinations which it determines to be necessary or advisable for administration of the Plan.

3.4. Decisions Final. All decisions made by the Administrator pursuant to the provisions of the Plan shall be final and binding on the Company and the Participants, unless such decisions are determined by a court having jurisdiction to be arbitrary and capricious.

3.5. The Committee.

(a) General. The Board may delegate administration of the Plan to a Committee or Committees of one or more members of the Board, and the term “Committee” shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board or the Administrator shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revert in the Board the administration of the Plan. The members of the Committee shall be appointed by and serve at the pleasure of the Board. From time to time, the Board may increase or decrease the size of the Committee, add additional members to, remove members (with or without cause) from, appoint new members in substitution therefor, and fill vacancies, however caused, in the Committee. The Committee shall act pursuant to a vote of the majority of its members or, in the case of a committee comprised of only two members, the unanimous consent of its members, whether present or not, or by the written consent of the majority of its members and minutes shall be kept of all of its meetings and copies thereof shall be provided to the Board. Subject to the limitations prescribed by the Plan and the Board, the Committee may establish and follow such rules and regulations for the conduct of its business as it may determine to be advisable.

(b) Committee Composition when Common Stock is Registered. At such time as the Common Stock is required to be registered under Section 12 of the Exchange Act, in the discretion of the Board, a Committee may consist solely of two or more Non-Employee Directors who are also Outside Directors. The Board shall have discretion to determine whether or not it intends to comply with the exemption requirements of Rule 16b-3 and/or Section 162(m) of the Code. However, if the Board intends to satisfy such exemption requirements, with respect to Awards to any Covered Employee and with respect to any insider subject to Section 16 of the Exchange Act, the Committee shall be a compensation committee of the Board that at all times consists solely of two or more Non-Employee Directors who are also Outside Directors. Within the scope of such authority, the Board or the Committee may (i) delegate to a committee of one or more members of the Board who are not Outside Directors the authority to grant Awards to eligible persons who are either (A) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Award or (B) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code or (ii) delegate to a committee of one or more members of the Board who are not Non-Employee Directors the authority to grant Awards to eligible persons who are not then subject to Section 16 of the Exchange Act. Nothing herein shall create an inference that an option is not validly granted under the Plan in the event Awards are granted under the Plan by a compensation committee of the Board that does not at all times consist solely of two or more Non-Employee Directors who are also Outside Directors.

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3.6. **Indemnification.** In addition to such other rights of indemnification as they may have as Directors or members of the Committee, and to the extent allowed by applicable law, the Administrator shall be indemnified by the Company against the reasonable expenses, including attorney's fees, actually incurred in connection with any action, suit or proceeding or in connection with any appeal therein, to which the Administrator may be party by reason of any action taken or failure to act under or in connection with the Plan or any option granted under the Plan, and against all amounts paid by the Administrator in settlement thereof (provided, however, that the settlement has been approved by the Company, which approval shall not be unreasonably withheld) or paid by the Administrator in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such Administrator did not act in good faith and in a manner which such person reasonably believedf">

Discounted Value means the quotient of the Market Value of an Eligible Asset divided by the applicable Discount Factor, provided that with respect to an Eligible Asset that is currently callable, Discounted Value will be equal to the quotient as calculated above or the call price, whichever is lower, and that with respect to an Eligible Asset that is prepayable, Discounted Value will be equal to the quotient as calculated above or the par value, whichever is lower.

Eligible Assets means Moody's Eligible Assets or Fitch's Eligible Assets (if Moody's or Fitch are then rating the Tortoise Notes) and/or Other Rating Agency Eligible Assets, whichever is applicable.

Error Correction Deadline means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

Existing Holder, with respect to Tortoise Notes of a series, shall mean a Broker-Dealer (or any such other Person as may be permitted by the Company) that is listed on the records of the Auction Agent as a holder of Tortoise Notes of such series.

Fitch means Fitch Ratings and its successors at law.

Fitch Discount Factor means the discount factors set forth in the Fitch Guidelines for use in calculating the Discounted Value of the Company's assets in connection with Fitch's ratings of Tortoise Notes.

Fitch Eligible Asset means assets of the Company set forth in the Fitch Guidelines as eligible for inclusion in calculating the Discounted Value of the Company's assets in connection with Fitch's ratings of Tortoise Notes.

Fitch Guidelines mean the guidelines provided by Fitch, as may be amended from time to time, in connection with Fitch's ratings of Tortoise Notes.

Hold Order shall have the meaning specified in Appendix A-I Tortoise Notes Auction Procedures or an Order deemed to have been submitted as provided in paragraph (a) of Section 1 of Appendix A-I Tortoise Notes Auction Procedures.

Holder means, with respect to Tortoise Notes, the registered holder of notes of each series of Tortoise Notes as the same appears on the books or records of the Company.

Index means on any Auction Date with respect to Tortoise Notes in any Auction Period of 35 days or less the applicable LIBOR rate. The Index with respect to Tortoise Notes in any Auction Period of more than 35 days shall be the rate on United States Treasury Securities having a maturity which most closely approximates the length of the Auction Period as last published in The Wall Street Journal or such other source as may be mutually agreed upon by the Trustee and the Broker-Dealers. If either rate is unavailable, the Index shall be an index or rate agreed to by all Broker-Dealers and consented to by the Company. For the purpose of this definition an Auction Period of 35 days or less means a 35-day Auction Period or shorter Auction Period, i.e., a 35-day Auction Period which is extended because of a holiday would still be considered an Auction Period of 35 days or less.

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Interest Payment Date when used with respect to any Tortoise Notes, means the date on which an installment of interest on such Tortoise Notes shall be due and payable which generally shall be the day next following an Auction Date.

LIBOR means, for purposes of determining the Reference Rate, (i) the rate for deposits in U.S. dollars for the designated Rate Period, which appears on display page 3750 of Moneyline's Telerate Service (Telerate Page 3750) (or such other page as may replace that page on that service, or such other service as may be selected by Lehman Brothers Inc. or its successors) as of 11:00 a.m., London time, on the day that is the Business Day on the Auction Date or, if the Auction Date is not a Business Day, the Business Day preceding the Auction Date (the LIBOR Determination Date), or (ii) if such rate does not appear on Telerate Page 3750 or such other page as may replace such Telerate Page 3750, (A) Lehman Brothers Inc. shall determine the arithmetic mean of the offered quotations of the reference banks to leading banks in the London interbank market for deposits in U.S. dollars for the designated Rate Period in an amount determined by Lehman Brothers Inc. by reference to requests for quotations as of approximately 11:00 a.m. (London time) on such date made by Lehman Brothers Inc. to the reference banks, (B) if at least two of the reference banks provide such quotations, LIBOR shall equal such arithmetic mean of such quotations, (C) if only one or none of the reference banks provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in The City of New York, New York selected by Lehman Brothers Inc. (after obtaining the Company's approval) are quoting on the relevant LIBOR Determination Date for deposits in U.S. dollars for the designated Rate Period in an amount determined by Lehman Brothers Inc. (after obtaining the Company's approval) that is representative of a single transaction in such market at such time by reference to the principal London office of leading banks in the London interbank market; provided, however, that if Lehman Brothers Inc. is not a Broker-Dealer or does not quote a rate required to determine LIBOR, LIBOR will be determined on the basis of the quotation or quotations furnished by any other Broker-Dealer selected by the Company to provide such rate or rates not being supplied by Lehman Brothers Inc.; provided further, that if Lehman Brothers Inc. and/or a substitute Broker-Dealer are required but unable to determine a rate in accordance with at least one of the procedures provided above, LIBOR shall be the most recently determinable LIBOR. If the number of Rate Period days shall be (i) 7 or more but fewer than 21 days, such rate shall be the seven-day LIBOR rate; (ii) more than 21 but fewer than 49 days, such rate shall be one-month LIBOR rate; (iii) 49 or more but fewer than 77 days, such rate shall be the two-month LIBOR rate; (iv) 77 or more but fewer than 112 days, such rate shall be the three-month LIBOR rate; (v) 112 or more but fewer than 140 days, such rate shall be the four-month LIBOR rate; (vi) 140 or more but fewer than 168 days, such rate shall be the five-month LIBOR rate; (vii) 168 or more but fewer than 189 days, such rate shall be the six-month LIBOR rate; (viii) 189 or more but fewer than 217 days, such rate shall be the seven-month LIBOR rate; (ix) 217 or more but fewer than 252 days, such rate shall be the eight-month LIBOR rate; (x) 252 or more but fewer than 287 days, such rate shall be the nine-month LIBOR rate; (xi) 287 or more but fewer than 315 days, such rate shall be the ten-month LIBOR rate; (xii) 315 or more but fewer than 343 days, such rate shall be the eleven-month LIBOR rate; and (xiii) 343 or more but fewer than 365 days, such rate shall be the twelve-month LIBOR rate.

Market Value means the market value of an asset of the Company determined as follows: For equity securities, the value obtained from readily available market quotations. If an equity security is not traded on an exchange or not available from a Board-approved pricing service, the value obtained from written broker-dealer quotations. For fixed-income securities, the value obtained from readily available market quotations based on the last sale price of a security on the day the Company values its assets or the market value obtained from a pricing service or the value obtained from a direct written broker-dealer quotation from a dealer who has made a market in the security. Market Value for other securities will mean the value obtained pursuant to the Company's valuation procedures. If the market value of a security cannot be obtained, or the Company's investment adviser determines that the value of a security

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as so obtained does not represent the fair value of a security, fair value for that security shall be determined pursuant to the valuation procedures adopted by the Board of Directors.

Maximum Rate means, on any date on which the Applicable Rate is determined, the rate equal to the applicable percentage of the Reference Rate, subject to upward but not downward adjustment in the discretion of the Board of Directors after consultation with the Broker-Dealers, provided that immediately following any such increase the Company would be in compliance with the Tortoise Notes Basic Maintenance Amount.

Minimum Rate means, on any Auction Date with respect to a Rate Period of ___days or fewer, 70% of the AA Composite Commercial Paper Rate at the close of business on the Business Day next preceding such Auction Date. There shall be no Minimum Rate on any Auction Date with respect to a Rate Period of more than the Standard Rate Period.

Moody s means Moody s Investors Service, Inc., a Delaware corporation, and its successors at law.

Moody s Discount Factor means the discount factors set forth in the Moody s Guidelines for use in calculating the Discounted Value of the Company s assets in connection with Moody s ratings of Tortoise Notes.

Moody s Eligible Assets means assets of the Company set forth in the Moody s Guidelines as eligible for inclusion in calculating the Discounted Value of the Company s assets in connection with Moody s ratings of Tortoise Notes.

Moody s Guidelines mean the guidelines provided by Moody s, as may be amended from time to time, in connection with Moody s ratings of Tortoise Notes.

1940 Act Tortoise Notes Asset Coverage means asset coverage, as determined in accordance with Section 18(h) of the Investment Company Act, of at least 300% with respect to all outstanding senior securities representing indebtedness of the Company, including all Outstanding Tortoise Notes (or such other asset coverage as may in the future be specified in or under the Investment Company Act as the minimum asset coverage for senior securities representing indebtedness of a closed-end investment company as a condition of declaring dividends on its common stock), determined on the basis of values calculated as of a time within 48 hours next preceding the time of such determination.

Notes means Securities of the Company ranking on a parity with the Tortoise Notes that may be issued from time to time pursuant to the Indenture.

Order means a Hold Order, Bid or Sell Order.

Original Issue Date means, with respect to the Tortoise Notes, Series _____ .

Other Rating Agency means each rating agency, if any, other than Moody s or Fitch then providing a rating for the Tortoise Notes pursuant to the request of the Company.

Other Rating Agency Discount Factor means the discount factors set forth in the Other Rating Agency Guidelines of each Other Rating Agency for use in calculating the Discounted Value of the Company s assets in connection with the Other Rating Agency s rating of Tortoise Notes.

Other Rating Agency Eligible Assets means assets of the Company set forth in the Other Rating Agency Guidelines of each Other Rating Agency as eligible for inclusion in calculating the

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Discounted Value of the Company's assets in connection with the Other Rating Agency's rating of Tortoise Notes.

Other Rating Agency Guidelines mean the guidelines provided by each Other Rating Agency, as may be amended from time to time, in connection with the Other Rating Agency's rating of Tortoise Notes.

Outstanding or **outstanding** means, as of any date, Tortoise Notes theretofore issued by the Company except, without duplication, (i) any Tortoise Notes theretofore canceled, redeemed or repurchased by the Company, or delivered to the Trustee for cancellation or with respect to which the Company has given notice of redemption and irrevocably deposited with the Paying Agent sufficient funds to redeem such Tortoise Notes and (ii) any Tortoise Notes represented by any certificate in lieu of which a new certificate has been executed and delivered by the Company. Notwithstanding the foregoing, (A) in connection with any Auction, any series of Tortoise Notes as to which the Company or any person known to the Auction Agent to be an Affiliate of the Company shall be the Existing Holder thereof shall be disregarded and deemed not to be Outstanding; and (B) for purposes of determining the Tortoise Notes Basic Maintenance Amount, Tortoise Notes held by the Company shall be disregarded and not deemed Outstanding but Tortoise Notes held by any Affiliate of the Company shall be deemed Outstanding.

Paying Agent means BNY Midwest Trust Company unless and until another entity appointed by a resolution of the Board of Directors enters into an agreement with the Company to serve as paying agent, transfer agent, registrar, and redemption agent with respect to the Tortoise Notes, which Paying Agent may be the same as the Trustee or the Auction Agent.

Person or **person** means and includes an individual, a corporation, a partnership, a trust, a company, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

Potential Beneficial Owner, with respect to a series of Tortoise Notes, shall mean a customer of a Broker-Dealer that is not a Beneficial Owner of Tortoise Notes of such series but that wishes to purchase Tortoise Notes of such series, or that is a Beneficial Owner of Tortoise Notes of such series that wishes to purchase additional Tortoise Notes of such series; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Beneficial Owner.

Potential Holder, with respect to Tortoise Notes of such series, shall mean a Broker-Dealer (or any such other person as may be permitted by the Company) that is not an Existing Holder of Tortoise Notes of such series or that is an Existing Holder of Tortoise Notes of such series that wishes to become the Existing Holder of additional Tortoise Notes of such series; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Holder.

Rate Period means, with respect to a series of Tortoise Notes, the period commencing on the Original Issue Date thereof and ending on the date specified for such series on the Original Issue Date thereof and thereafter, as to such series, the period commencing on the day following each Rate Period for such series and ending on the day established for such series by the Company.

Rating Agency means each of Fitch (if Fitch is then rating Tortoise Notes), Moody's (if Moody's is then rating Tortoise Notes) and any Other Rating Agency.

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Rating Agency Guidelines mean Fitch Guidelines (if Fitch is then rating Tortoise Notes), Moody's Guidelines (if Moody's is then rating Tortoise Notes) and any Other Rating Agency Guidelines (if any other Rating Agency is then rating Tortoise Notes), whichever is applicable.

Redemption Date, when used with respect to any Tortoise Note to be redeemed, means the date fixed for such redemption by or pursuant to the Indenture.

Redemption Price, when used with respect to any Tortoise Note to be redeemed, means the price at which it is to be redeemed pursuant to the Indenture.

Reference Rate means, with respect to the determination of the Maximum Rate and Default Rate, the greater of (i) the applicable AA Composite Commercial Paper Rate (for a Rate Period of fewer than 184 days) or the applicable Treasury Index Rate (for a Rate Period of 184 days or more), or (ii) the applicable LIBOR Rate.

Securities Act means the Securities Act of 1933, as amended from time to time.

Securities Depository means The Depository Trust Company and its successors and assigns or any successor securities depository selected by the Company that agrees to follow the procedures required to be followed by such securities depository in connection with the Tortoise Notes Series ____.

Sell Order shall have the meaning specified in Appendix A-I Tortoise Notes Auction Procedures.

Special Auction Period means an Auction Period that is not a Standard Auction Period.

Special Rate Period means a Rate Period that is not a Standard Rate Period.

Specific Redemption Provisions means, with respect to any Special Rate Period of more than one year, either, or any combination of (i) a period (a Non-Call Period) determined by the Board of Directors after consultation with the Broker-Dealers, during which the Tortoise Notes subject to such Special Rate Period are not subject to redemption at the option of the Issuer pursuant to Section 2.03(a)(ii) and (ii) a period (a Premium Call Period), consisting of a number of whole years as determined by the Board of Directors after consultation with the Broker-Dealers, during each year of which the Tortoise Notes subject to such Special Rate Period shall be redeemable at the Issuer's option pursuant to Section 2.03(a)(i) and/or in connection with any mandatory redemption pursuant to Section 2.03(a)(ii) at a price equal to the principal amount plus accrued but unpaid interest plus a premium expressed as a percentage or percentages of \$25,000 or expressed as a formula using specified variables as determined by the Board of Directors after consultation with the Broker-Dealers.

Standard Auction Period means an Auction Period of ____ days.

Standard Rate Period means a Rate Period of ____ days.

Stated Maturity with respect to Tortoise Notes Series ____, shall mean _____.

Submission Deadline means 1:00 P.M., New York City time, on any Auction Date or such other time on such date as shall be specified by the Auction Agent from time to time pursuant to the Auction Agreement as the time by which the Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association's Early Market Close Recommendations for shortened trading days for the bond markets (the SIFMA Recommendation) unless the Auction Agent is instructed otherwise in

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writing by the Company. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 A.M., instead of 1:00 P.M., New York City time.

Submitted Bid shall have the meaning specified in Appendix A-I Tortoise Notes Auction Procedures.

Submitted Hold Order shall have the meaning specified in Appendix A-I Tortoise Notes Auction Procedures.

Submitted Order shall have the meaning specified in Appendix A-I Tortoise Notes Auction Procedures.

Submitted Sell Order shall have the meaning specified in Appendix A-I Tortoise Notes Auction Procedures.

Sufficient Clearing Bids means for each series of Tortoise Notes, an Auction for which the number of Units of Tortoise Notes of such series that are the subject of Submitted Bids by Potential Beneficial Owners specifying one or more rates not higher than the Maximum Rate is not less than the number of Units of Tortoise Notes of such series that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Holders specifying rates higher than the Maximum Rate.

Tortoise Notes Basic Maintenance Amount as of any Valuation Date has the meaning set forth in the Rating Agency Guidelines.

Tortoise Notes Series ___ means the Series ___ Tortoise Notes or any other Notes hereinafter designated as Series ___ of the Tortoise Notes.

Treasury Index Rate means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities having the same number of 30-day periods to maturity as the length of the applicable Rate Period, determined, to the extent necessary, by linear interpolation based upon the yield for such securities having the next shorter and next longer number of 30-day periods to maturity treating all Rate Periods with a length greater than the longest maturity for such securities as having a length equal to such longest maturity, in all cases based upon data set forth in the most recent weekly statistical release published by the Board of Governors of the Federal Reserve System (currently in H.15(519)); provided, however, if the most recent such statistical release shall not have been published during the 15 days preceding the date of computation, the foregoing computations shall be based upon the average of comparable data as quoted to the Company by at least three recognized dealers in U.S. Government securities selected by the Company.

Trustee means BNY Midwest Trust Company or such other person who is named as a trustee pursuant to the terms of the Indenture.

Unit means, with respect to each series of Tortoise Notes, the principal amount of the minimum Authorized Denomination of the Tortoise Notes.

Valuation Date means every Friday, or, if such day is not a Business Day, the next preceding Business Day; provided, however, that the first Valuation Date may occur on any other date established by the Company; provided, further, however, that such first Valuation Date shall be not more than one week from the date on which Tortoise Notes Series ___ initially are issued.

Winning Bid Rate means for each series of Tortoise Notes, the lowest rate specified in any Submitted Bid of such series of Tortoise Notes which if selected by the Auction Agent as the Applicable

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Rate would cause the number of Units of Tortoise Notes of such series that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Units of Available Tortoise Notes of such series.

NOTE DETAILS, FORM OF NOTES AND REDEMPTION OF NOTES

Section 2.02 Interest

(a) The Holders of any series of Tortoise Notes shall be entitled to receive interest payments on their Tortoise Notes at the Applicable Rate, determined as set forth in paragraph (c) below, and no more, payable on the respective dates determined as set forth in paragraph (b) of this Section 2.02. Interest on the Outstanding Tortoise Notes of any series issued on the Original Issue Date shall accumulate from the Original Issue Date.

(b)(i) Interest shall be payable, subject to subparagraph (b)(ii) below, on each series of Tortoise Notes, with respect to any Rate Period on the first Business Day following the last day of such Rate Period; provided, however, if the Rate Period is greater than 30 days then on a monthly basis on the first Business Day of each month within such Rate Period, not including the initial Rate Period, and on the Business Day following the last day of such Rate Period.

(ii) If a day for payment of interest resulting from the application of subparagraph (b)(i) above is not a Business Day, then the Interest Payment Date shall be the first Business Day following such day for payment of interest in the case of a series of Tortoise Notes designated as Series ____.

(iii) The Company shall pay to the Paying Agent not later than 3:00 p.m., New York City time, on the Business Day next preceding each Interest Payment Date for each series of Tortoise Notes, an aggregate amount of funds available on the next Business Day in the City of New York, New York, equal to the interest to be paid to all Holders of such Tortoise Notes on such Interest Payment Date. The Company shall not be required to establish any reserves for the payment of interest.

(iv) All moneys paid to the Paying Agent for the payment of interest shall be held in trust for the payment of such interest by the Paying Agent for the benefit of the Holders specified in subparagraph (b)(v) below. Any moneys paid to the Paying Agent in accordance with the foregoing but not applied by the Paying Agent to the payment of interest, including interest earned on such moneys, will, to the extent permitted by law, be repaid to the Company at the end of 90 days from the date on which such moneys were to have been so applied.

(v) Each interest payment on a series of Tortoise Notes shall be paid on the Interest Payment Date therefor to the Holders of that series as their names appear on the security ledger or security records of the Company on the Business Day next preceding such Interest Payment Date. Interest in arrears for any past Rate Period may be declared and paid at any time, without reference to any regular Interest Payment Date, to the Holders as their names appear on the books or records of the Company on such date, not exceeding 15 days preceding the payment date thereof, as may be fixed by the Board of Directors. No interest will be payable in respect of any Interest Payment or payments which may be in arrears.

(c)(i) The interest rate on Outstanding Tortoise Notes of each series during the period from and after the Original Issue Date to and including the last day of the initial Rate Period therefor shall be equal to ____%. For each subsequent Rate Period with respect to the Tortoise Notes Outstanding thereafter, the

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interest rate shall be equal to the rate per annum that results from an Auction; provided, however, that if an Auction for any subsequent Rate Period of a series of Tortoise Notes is not held for any reason or if Sufficient Clearing Bids have not been made in an Auction (other than as a result of all series of Tortoise Notes being the subject of Submitted Hold Orders), then the interest rate on a series of Tortoise Notes for any such Rate Period shall be the Maximum Rate (except during a Default Period (as defined below) when the interest rate shall be the Default Rate, as set forth in (c)(ii) below). The All Hold Rate will apply automatically following an Auction in which all of the Outstanding series of Tortoise Notes are subject (or are deemed to be subject) to Hold Orders. The rate per annum at which interest is payable on a series of Tortoise Notes as determined pursuant to this Section 2(c)(i) shall be the Applicable Rate. For Standard Rate Periods or shorter periods only, the Applicable Rate resulting from an Auction will not be less than the Minimum Rate.

(ii) Subject to the cure provisions below, a Default Period with respect to a particular series will commence on any date the Company fails to deposit irrevocably in trust in same-day funds, with the Paying Agent by 12:00 noon, New York City time, (A) the full amount of any redemption price (the Redemption Price) payable on the date fixed for redemption (the Redemption Date) (a Redemption Default, which shall constitute an Event of Default pursuant to Section 5.1(7) of the Original Indenture) or (B) the full amount of any accrued interest on that series payable on the Interest Payment Date (an Interest Default and together with a Redemption Default, hereinafter referred to as Default). Subject to the cure provisions of (c)(iii) below, a Default Period with respect to an Interest Default or a Redemption Default shall end on the Business Day on which, by 12:00 noon, New York City time, all unpaid interest and any unpaid Redemption Price shall have been deposited irrevocably in trust in same-day funds with the Paying Agent. In the case of an Interest Default, the Applicable Rate for each Rate Period commencing during a Default Period will be equal to the Default Rate, and each subsequent Rate Period commencing after the beginning of a Default Period shall be a Standard Rate Period; provided, however, that the commencement of a Default Period will not by itself cause the commencement of a new Rate Period. No Auction shall be held during a Default Period with respect to an Interest Default applicable to that series of Tortoise Notes.

(iii) No Default Period with respect to an Interest Default or Redemption Default shall be deemed to commence if the amount of any interest or any Redemption Price due (if such default is not solely due to the willful failure of the Company) is deposited irrevocably in trust, in same-day funds with the Paying Agent by 12:00 noon, New York City time within three Business Days after the applicable Interest Payment Date or Redemption Date, together with an amount equal to the Default Rate applied to the amount of such non-payment based on the actual number of days comprising such period divided by 360 for each series. The Default Rate shall be equal to the Reference Rate multiplied by three (3).

(iv) The amount of interest per Unit of Tortoise Notes payable on each Interest Payment Date of each Rate Period of less than one (1) year (or in respect of interest on another date in connection with a redemption during such Rate Period) shall be computed by multiplying the Applicable Rate (or the Default Rate) for such Rate Period (or a portion thereof) by a fraction, the numerator of which will be the number of days in such Rate Period (or portion thereof) that such Tortoise Notes were outstanding and for which the Applicable Rate or the Default Rate was applicable and the denominator of which will be 360, multiplying the amount so obtained by \$25,000, and rounding the amount so obtained to the nearest cent. During any Rate Period of one (1) year or more, the amount of interest per Unit of Tortoise Notes payable on any Interest Payment Date (or in respect of interest on another date in connection with a redemption during such Rate Period) shall be computed as described in the preceding sentence.

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(d) Any Interest Payment made on any series of Tortoise Notes shall first be credited against the earliest accrued but unpaid interest due with respect to such series.

Section 2.03 Redemption

(a)(i) After the initial Rate Period, subject to the provisions of the Indenture and to the extent permitted under the Investment Company Act, the Company may, at its option, redeem in whole or in part out of funds legally available therefor a series of Tortoise Notes designated in the Indenture as (A) having a Rate Period of one year or less, on the Business Day after the last day of such Rate Period by delivering a notice of redemption not less than 15 days and not more than 40 days prior to the date fixed for such redemption, at a redemption price equal to the aggregate principal amount, plus an amount equal to accrued but unpaid interest thereon (whether or not earned) to the date fixed for redemption (Redemption Price), or (B) having a Rate Period of more than one year, on any Business Day prior to the end of the relevant Rate Period by delivering a notice of redemption not less than 15 days and not more than 40 days prior to the date fixed for such redemption, at the Redemption Price, plus a redemption premium, if any, determined by the Board of Directors after consultation with the Broker-Dealers and set forth in any applicable Specific Redemption Provisions at the time of the designation of such Rate Period as set forth in the Indenture; provided, however, that during a Rate Period of more than one year no series of Tortoise Notes will be subject to optional redemption except in accordance with any Specific Redemption Provisions approved by the Board of Directors after consultation with the Broker-Dealers at the time of the designation of such Rate Period. Notwithstanding the foregoing, the Company shall not give a notice of or effect any redemption pursuant to this paragraph (a)(i) unless, on the date on which the Company intends to give such notice and on the date of redemption (a) the Company has available certain Deposit Securities with maturity or tender dates not later than the day preceding the applicable redemption date and having a value not less than the amount (including any applicable premium) due to Holders of a series of Tortoise Notes by reason of the redemption of such Tortoise Notes on such date fixed for the redemption and (b) the Company would have Eligible Assets with an aggregate Discounted Value at least equal the Tortoise Notes Basic Maintenance Amount immediately subsequent to such redemption, if such redemption were to occur on such date, it being understood that the provisions of paragraph (d) below shall be applicable in such circumstances in the event the Company makes the deposit and takes the other action required thereby.

(ii) If the Company fails to maintain, as of any Valuation Date, Eligible Assets with an aggregate Discounted Value at least equal to the Tortoise Notes Basic Maintenance Amount or, as of the last Business Day of any month, the 1940 Act Tortoise Notes Asset Coverage, and such failure is not cured within ten Business Days following such Valuation Date in the case of a failure to maintain the Tortoise Notes Basic Maintenance Amount or on the last Business Day of the following month in the case of a failure to maintain the 1940 Act Tortoise Notes Asset Coverage as of such last Business Day (each an Asset Coverage Cure Date), the Tortoise Notes will be subject to mandatory redemption out of funds legally available therefor. The aggregate principal amount of Tortoise Notes to be redeemed in such circumstances will be equal to the lesser of (A) the minimum principal amount of Tortoise Notes the redemption of which, if deemed to have occurred immediately prior to the opening of business on the relevant Asset Coverage Cure Date, would result in the Company having Eligible Assets with an aggregate Discounted Value at least equal to the Tortoise Notes Basic Maintenance Amount, or sufficient to satisfy 1940 Act Tortoise Notes Asset Coverage, as the case may be, in either case as of the relevant Asset Coverage Cure Date (provided that, if there is no such minimum principal amount of Tortoise Notes the redemption of which would have such result, all Tortoise Notes then Outstanding will be redeemed), and (B) the maximum principal amount of Tortoise Notes that can be redeemed out of funds expected to be available therefor on the Mandatory Redemption Date at the Mandatory Redemption Price set forth in subparagraph (a)(iii) below.

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(iii) In determining the Tortoise Notes required to be redeemed in accordance with the foregoing subparagraph (a)(ii), the Company shall allocate the aggregate principal amount of Tortoise Notes required to be redeemed to satisfy the Tortoise Notes Basic Maintenance Amount or the 1940 Act Tortoise Notes Asset Coverage, as the case may be, pro rata among the Holders of Tortoise Notes in proportion to the aggregate principal amount of Tortoise Notes they hold, by lot or by such other method as the Company shall deem equitable, subject to the further provisions of this subparagraph (iii). The Company shall effect any required mandatory redemption pursuant to subparagraph (a)(ii) above no later than 40 days after the Asset Coverage Cure Date (the Mandatory Redemption Date), except that if the Company does not have funds legally available for the redemption of, or is not otherwise legally permitted to redeem, the aggregate principal amount of Tortoise Notes which would be required to be redeemed by the Company under clause (A) of subparagraph (a)(ii) above if sufficient funds were available, or the Company otherwise is unable to effect such redemption on or prior to such Mandatory Redemption Date, the Company shall redeem those Tortoise Notes, and other Notes, on the earliest practicable date on which the Company will have such funds available, upon notice pursuant to paragraph (b) below to record owners of the Tortoise Notes to be redeemed and the Paying Agent. The Company will deposit with the Paying Agent funds sufficient to redeem the specified aggregate principal amount of Tortoise Notes with respect to a redemption required under subparagraph (a)(ii) above, by 1:00 p.m., New York City time, of the Business Day immediately preceding the Mandatory Redemption Date. If fewer than all of the Outstanding Tortoise Notes are to be redeemed pursuant to this subparagraph (iii), the aggregate principal amount of Tortoise Notes to be redeemed shall be redeemed pro rata from the Holders of such Tortoise Notes in proportion to the aggregate principal amount of such Tortoise Notes held by such Holders, by lot or by such other method as the Company shall deem fair and equitable, subject, however, to the terms of any applicable Specific Redemption Provisions. Mandatory Redemption Price means the Redemption Price plus (in the case of a Rate Period of one year or more only) a redemption premium, if any, determined by the Board of Directors after consultation with the Broker-Dealers and set forth in any applicable Specific Redemption Provisions.

(b) In the event of a redemption pursuant to paragraph (a) above, the Company will file a notice of its intention to redeem with the Commission so as to provide at least the minimum notice required under Rule 23c-2 under the Investment Company Act or any successor provision. In addition, the Company shall deliver a notice of redemption to the Auction Agent and the Trustee (the Notice of Redemption) containing the information set forth below (i) in the case of an optional redemption pursuant to subparagraph (a)(i) above, at least three Business Days prior to the giving of notice to the Holders and (ii) in the case of a mandatory redemption pursuant to subparagraph (a)(ii) above, on or prior to the 30th day preceding the Mandatory Redemption Date. The Trustee will use its reasonable efforts to provide notice to each Holder of Tortoise Notes called for redemption by electronic or other reasonable means not later than the close of business on the Business Day immediately following the day on which the Trustee determines the Tortoise Notes to be redeemed (or, during a Default Period with respect to such Tortoise Notes, not later than the close of business on the Business Day immediately following the day on which the Trustee receives Notice of Redemption from the Company). The Trustee shall confirm such notice in writing not later than the close of business on the third Business Day preceding the date fixed for redemption by providing the Notice of Redemption to each Holder of Tortoise Notes called for redemption, the Paying Agent (if different from the Trustee) and the Securities Depository. Notice of Redemption will be addressed to the registered owners of each series of Tortoise Notes at their addresses appearing on the books or records of the Company. Such Notice of Redemption will set forth (i) the date fixed for redemption, (ii) the principal amount and identity of Tortoise Notes to be redeemed, (iii) the redemption price (specifying the amount of accrued interest to be included therein and any redemption premium, if any), (iv) that interest on the Tortoise Notes to be redeemed will cease to accrue on such date fixed for redemption, (v) applicable cusip number(s) and (vi) the provision under which redemption shall

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be made. No defect in the Notice of Redemption or in the transmittal or mailing thereof will affect the validity of the redemption proceedings, except as required by applicable law. If fewer than all Tortoise Notes held by any Holder are to be redeemed, the Notice of Redemption mailed to such Holder shall also specify the principal amount of Tortoise Notes to be redeemed from such Holder.

(c) Notwithstanding the provisions of paragraph (a) above, no Tortoise Notes may be redeemed unless all interest on the Outstanding Tortoise Notes and all Notes of the Company ranking on a parity with the Tortoise Notes, have been or are being contemporaneously paid or set aside for payment; provided, however, that the foregoing shall not prevent the purchase or acquisition of all Outstanding Tortoise Notes pursuant to the successful completion of an otherwise lawful purchase or exchange offer made on the same terms to, and accepted by, Holders of all Outstanding Tortoise Notes.

(d) Upon the deposit of funds sufficient to redeem any Tortoise Notes with the Paying Agent and the giving of the Notice of Redemption to the Trustee under paragraph (b) above, interest on such Tortoise Notes shall cease to accrue and such Tortoise Notes shall no longer be deemed to be Outstanding for any purpose (including, without limitation, for purposes of calculating whether the Company has maintained the requisite Tortoise Notes Basic Maintenance Amount or the 1940 Act Tortoise Notes Asset Coverage), and all rights of the Holder of the Tortoise Notes so called for redemption shall cease and terminate, except the right of such Holder to receive the redemption price specified herein, but without any interest or other additional amount. Such redemption price shall be paid by the Paying Agent to the nominee of the Securities Depository. The Company shall be entitled to receive from the Paying Agent, promptly after the date fixed for redemption, any cash deposited with the Paying Agent in excess of (i) the aggregate redemption price of the Tortoise Notes called for redemption on such date and (ii) such other amounts, if any, to which Holders of the Tortoise Notes called for redemption may be entitled. Any funds so deposited that are unclaimed at the end of two years from such redemption date shall, to the extent permitted by law, be paid to the Company, after which time the Holders of Tortoise Notes so called for redemption may look only to the Company for payment of the redemption price and all other amounts, if any, to which they may be entitled. The Company shall be entitled to receive, from time to time after the date fixed for redemption, any interest earned on the funds so deposited.

(e) To the extent that any redemption for which Notice of Redemption has been given is not made by reason of the absence of legally available funds therefor, or is otherwise prohibited, such redemption shall be made as soon as practicable to the extent such funds become legally available or such redemption is no longer otherwise prohibited. Failure to redeem any series of Tortoise Notes shall be deemed to exist at any time after the date specified for redemption in a Notice of Redemption when the Company shall have failed, for any reason whatsoever, to deposit in trust with the Paying Agent the redemption price with respect to any Tortoise Notes for which such Notice of Redemption has been given. Notwithstanding the fact that the Company may not have redeemed any Tortoise Notes for which a Notice of Redemption has been given, interest may be paid on a series of Tortoise Notes and shall include those Tortoise Notes for which Notice of Redemption has been given but for which deposit of funds has not been made.

(f) All moneys paid to the Paying Agent for payment of the redemption price of any Tortoise Notes called for redemption shall be held in trust by the Paying Agent for the benefit of Holders of Tortoise Notes to be redeemed.

(g) So long as any Tortoise Notes are held of record by the nominee of the Securities Depository, the redemption price for such Tortoise Notes will be paid on the date fixed for redemption to the nominee of the Securities Depository for distribution to Agent Members for distribution to the persons for whom they are acting as agent.

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(h) Except for the provisions described above, nothing contained herein limits any right of the Company to purchase or otherwise acquire any Tortoise Notes outside of an Auction at any price, whether higher or lower than the price that would be paid in connection with an optional or mandatory redemption, so long as, at the time of any such purchase, there is no arrearage in the payment of interest on, or the mandatory or optional redemption price with respect to, any series of Tortoise Notes for which Notice of Redemption has been given and the Company is in compliance with the 1940 Act Tortoise Notes Asset Coverage and has Eligible Assets with an aggregate Discounted Value at least equal to the Tortoise Notes Basic Maintenance Amount after giving effect to such purchase or acquisition on the date thereof. If fewer than all the Outstanding Tortoise Notes of any series are redeemed or otherwise acquired by the Company, the Company shall give notice of such transaction to the Trustee, in accordance with the procedures agreed upon by the Board of Directors.

(i) The Board of Directors may, without further consent of the holders of the Tortoise Notes or the holders of shares of capital stock of the Company, authorize, create or issue any class or series of Notes, including other series of Tortoise Notes, ranking prior to or on a parity with the Tortoise Notes to the extent permitted by the Investment Company Act, if, upon issuance, either (A) the net proceeds from the sale of such Notes (or such portion thereof needed to redeem or repurchase the Outstanding Tortoise Notes) are deposited with the Trustee in accordance with paragraph (d), Notice of Redemption as contemplated by Section 2.03(b) has been delivered prior thereto or is sent promptly thereafter, and such proceeds are used to redeem all Outstanding Tortoise Notes or (B) the Company would meet the 1940 Act Tortoise Notes Asset Coverage, the Tortoise Notes Basic Maintenance Amount and the requirements set forth below in Certain Other Restrictions.

(j) If any Tortoise Notes are to be redeemed and such Tortoise Notes are held by the Securities Depository, the Company shall include in the notice of redemption delivered to the Securities Depository: (i) under an item entitled Publication Date for Securities Depository Purposes, the Interest Payment Date prior to the Redemption Date, and (ii) an instruction to the Securities Depository to (x) determine on such Publication Date after the Auction held on the immediately preceding Auction Date has settled, the Depository participants whose Securities Depository positions will be redeemed and the principal amount of such Tortoise Notes to be redeemed from each such position (the Securities Depository Redemption Information), and (y) notify the Auction Agent immediately after such determination of (A) the positions of the Depository Participants in such Tortoise Notes immediately prior to such Auction settlement, (B) the positions of the Depository Participants in such Tortoise Notes immediately following such Auction settlement and (C) the Securities Depository Redemption Information. Publication Date shall mean three Business Days after the Auction Date next preceding such Redemption Date.

Section 2.04 Designation of Rate Period

The initial Rate Period for each series of Tortoise Notes is as set forth under Designation in the Indenture. The Company will designate the duration of subsequent Rate Periods of each series of Tortoise Notes; provided, however, that no such designation is necessary for a Standard Rate Period and, provided further, that any designation of a Special Rate Period shall be effective only if (i) notice thereof shall have been given as provided herein, (ii) any failure to pay in a timely manner to the Trustee the full amount of any interest on, or the redemption price of, Tortoise Notes shall have been cured as provided above, (iii) Sufficient Clearing Bids shall have existed in an Auction held on the Auction Date immediately preceding the first day of such proposed Special Rate Period, (iv) if the Company shall have mailed a Notice of Redemption with respect to any Tortoise Notes, the redemption price with respect to such Tortoise Notes shall have been deposited with the Paying Agent, and (v) in the case of the designation of a Special Rate Period, the Company has confirmed that as of the Auction Date next preceding the first day of such Special Rate Period, it has Eligible Assets with an aggregate Discounted

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Value at least equal to the Tortoise Notes Basic Maintenance Amount, and the Company has consulted with the Broker-Dealers and has provided notice of such designation and otherwise complied with the Rating Agency Guidelines.

If the Company proposes to designate any Special Rate Period, not fewer than 7 (or two Business Days in the event the duration of the Rate Period prior to such Special Rate Period is fewer than 8 days) nor more than 30 Business Days prior to the first day of such Special Rate Period, notice shall be (i) made by press release and (ii) communicated by the Company by telephonic or other means to the Trustee and confirmed in writing promptly thereafter. Each such notice shall state (A) that the Company proposes to exercise its option to designate a succeeding Special Rate Period, specifying the first and last days thereof and (B) that the Company will by 3:00 p.m., New York City time, on the second Business Day next preceding the first day of such Special Rate Period, notify the Auction Agent and the Trustee, who will promptly notify the Broker-Dealers, of either (x) its determination, subject to certain conditions, to proceed with such Special Rate Period, subject to the terms of any Specific Redemption Provisions, or (y) its determination not to proceed with such Special Rate Period, in which latter event the succeeding Rate Period shall be a Standard Rate Period.

No later than 3:00 p.m., New York City time, on the second Business Day next preceding the first day of any proposed Special Rate Period, the Company shall deliver to the Auction Agent and Trustee, who will promptly deliver to the Broker-Dealers and Existing Holders, either:

(i) a notice stating (A) that the Company has determined to designate the next succeeding Rate Period as a Special Rate Period, specifying the first and last days thereof and (B) the terms of any Specific Redemption Provisions; or

(ii) a notice stating that the Company has determined not to exercise its option to designate a Special Rate Period. If the Company fails to deliver either such notice with respect to any designation of any proposed Special Rate Period to the Auction Agent or is unable to make the confirmation described above by 3:00 p.m., New York City time, on the second Business Day next preceding the first day of such proposed Special Rate Period, the Company shall be deemed to have delivered a notice to the Auction Agent with respect to such Rate Period to the effect set forth in clause (ii) above, thereby resulting in a Standard Rate Period.

Section 2.05 Restrictions on Transfer

Tortoise Notes may be transferred only (a) pursuant to an order placed in an Auction, (b) to or through a Broker-Dealer or (c) to the Company or any Affiliate. Notwithstanding the foregoing, a transfer other than pursuant to an Auction will not be effective unless the selling Existing Holder or the Agent Member of such Existing Holder, in the case of an Existing Holder whose Tortoise Notes are listed in its own name on the books of the Auction Agent, or the Broker-Dealer or Agent Member of such Broker-Dealer, in the case of a transfer between persons holding Tortoise Notes through different Broker-Dealers, advises the Auction Agent of such transfer. The certificates representing the Tortoise Notes issued to the Securities Depository will bear legends with respect to the restrictions described above and stop-transfer instructions will be issued to the Transfer Agent and/or Registrar.

Section 2.06 1940 Act Tortoise Notes Asset Coverage

The Company shall maintain, as of the last Business Day of each month in which any Tortoise Notes are Outstanding, asset coverage with respect to the Tortoise Notes which is equal to or greater than the 1940 Act Tortoise Notes Asset Coverage; provided, however, that subparagraph (a)(ii) of Redemption above shall be the sole remedy in the event the Company fails to do so.

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Section 2.07 Tortoise Notes Basic Maintenance Amount

So long as the Tortoise Notes are Outstanding and any Rating Agency is then rating the Tortoise Notes, the Company shall maintain, as of each Valuation Date, Eligible Assets having an aggregate Discounted Value equal to or greater than the Tortoise Notes Basic Maintenance Amount; provided, however, that Section 2.03(a)(ii) shall be the sole remedy in the event the Company fails to do so.

Section 2.08 Certain Other Restrictions

For so long as any Tortoise Notes are Outstanding and any Rating Agency is then rating the Tortoise Notes, the Company will not engage in certain proscribed transactions set forth in the Rating Agency Guidelines, unless it has received written confirmation from each such Rating Agency that proscribes the applicable transaction in its Rating Agency Guidelines that any such action would not impair the rating then assigned by such Rating Agency to a series of Tortoise Notes.

For so long as any Tortoise Notes are Outstanding, the Company will not declare, pay or set apart for payment any dividend or other distribution (other than a dividend or distribution paid in shares of, or options, warrants or rights to subscribe for or purchase, common shares or other shares of capital stock of the Company) upon any class of shares of capital stock of the Company, unless, in every such case, immediately after such transaction, the 1940 Act Tortoise Notes Asset Coverage would be achieved after deducting the amount of such dividend, distribution, or purchase price, as the case may be; provided, however, that dividends may be declared upon any preferred shares of capital stock of the Company if the Tortoise Notes and any other senior securities representing indebtedness of the Company have an asset coverage of at least 200% at the time of declaration thereof, after deducting the amount of such dividend.

A declaration of a dividend or other distribution on or purchase or redemption of any common or preferred shares of capital stock of the Company is prohibited (i) at any time that an Event of Default under the Indenture has occurred and is continuing, (ii) if after giving effect to such declaration, the Company would not have Eligible Assets with an aggregate Discounted Value at least equal to the Tortoise Notes Basic Maintenance Amount or the 1940 Act Tortoise Notes Asset Coverage, or (iii) the Company has not redeemed the full amount of Tortoise Notes required to be redeemed by any provisions for mandatory redemption contained herein.

Section 2.09 Compliance Procedures for Asset Maintenance Tests

For so long as any Tortoise Notes are Outstanding and any Rating Agency is then rating such Tortoise Notes:

(a) As of each Valuation Date, the Company shall determine in accordance with the procedures specified herein (i) the Market Value of each Eligible Asset owned by the Company on that date, (ii) the Discounted Value of each such Eligible Asset using the Discount Factors, (iii) whether the Tortoise Notes Basic Maintenance Amount is met as of that date, (iv) the value of the total assets of the Company, less all liabilities, and (v) whether the 1940 Act Tortoise Notes Asset Coverage is met as of that date.

(b) Upon any failure to maintain the required Tortoise Notes Basic Maintenance Amount or 1940 Act Tortoise Notes Asset Coverage on any Valuation Date, the Company may use reasonable commercial efforts (including, without limitation, altering the composition of its portfolio, purchasing Tortoise Notes outside of an Auction or in the event of a failure to file a Rating Agency Certificate (as defined below) on a timely basis, submitting the requisite Rating Agency Certificate) to re-attain (or certify in the case of a failure to file on a timely basis, as the case may be) the required Tortoise Notes

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Basic Maintenance Amount or 1940 Act Tortoise Notes Asset Coverage on or prior to the Asset Coverage Cure Date.

(c) Compliance with the Tortoise Notes Basic Maintenance Amount and 1940 Act Tortoise Notes Asset Coverage tests shall be determined with reference to those Tortoise Notes which are deemed to be Outstanding under the Indenture.

(d) The Company shall deliver to each Rating Agency which is then rating Tortoise Notes and any other party specified in the Rating Agency Guidelines all certificates that are set forth in the respective Rating Agency Guidelines regarding 1940 Act Tortoise Notes Asset Coverage, Tortoise Notes Basic Maintenance Amount and/or related calculations at such times and containing such information as set forth in the respective Rating Agency Guidelines (each, a Rating Agency Certificate).

(e) In the event that any Rating Agency Certificate is not delivered within the time periods set forth in the Rating Agency Guidelines, the Company shall be deemed to have failed to maintain the Tortoise Notes Basic Maintenance Amount or the 1940 Act Tortoise Notes Asset Coverage, as the case may be, on such Valuation Date for purposes of paragraph (b) above. In the event that any Rating Agency Certificate with respect to an applicable Asset Coverage Cure Date is not delivered within the time periods set forth in the Rating Agency Guidelines, the Company shall be deemed to have failed to have Eligible Assets with an aggregate Discounted Value at least equal to the Tortoise Notes Basic Maintenance Amount or to meet the 1940 Tortoise Notes Asset Coverage, as the case may be, as of the related Valuation Date, and such failure shall be deemed not to have been cured as of such Asset Coverage Cure Date for purposes of the mandatory redemption provisions.

Section 2.10 Delivery of Notes

Upon the execution and delivery of the Supplemental Indenture, the Company shall execute and deliver to the Trustee and the Trustee shall authenticate the Tortoise Notes and deliver them to The Depository Trust Company and as hereinafter in this Section provided.

Prior to the delivery by the Trustee of any of the Tortoise Notes, there shall have been filed with or delivered to the Trustee the following:

(a) A resolution duly adopted by the Company, certified by the Secretary or other Authorized Officer thereof, authorizing the execution and delivery of the Supplemental Indenture and the issuance of the Tortoise Notes.

(b) Duly executed copies of the Supplemental Indenture and a copy of the Indenture.

(c) Rating letters from each Rating Agency rating the Tortoise Notes.

(d) An Opinion of Counsel and an Officers Certificate pursuant to Sections 3.3 and 9.3 of the Original Indenture.

Section 2.11 Trustee s Authentication Certificate

The Trustee s authentication certificate upon the Tortoise Notes shall be substantially in the forms provided. No Tortoise Note shall be secured hereby or entitled to the benefit hereof, or shall be valid or obligatory for any purpose, unless a certificate of authentication, substantially in such form, has been duly executed by the Trustee; and such certificate of the Trustee upon any Tortoise Note shall be conclusive evidence and the only competent evidence that such Bond has been authenticated and delivered. The Trustee s certificate of authentication shall be deemed to have been duly executed by it if

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manually signed by an authorized officer of the Trustee, but it shall not be necessary that the same person sign the certificate of authentication on all of the Tortoise Notes issued.

EVENTS OF DEFAULT; REMEDIES

Events of Default

An Event of Default means any one of the following events set forth below (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any interest upon a series of Tortoise Notes when it becomes due and payable and the continuance of such default for thirty (30) days; or

(b) default in the payment of the principal of, or any premium on, a series of Tortoise Notes at its Stated Maturity; or

(c) default in the performance, or breach, of any covenant or warranty of the Company in the Indenture, and continuance of such default or breach for a period of ninety (90) days after there has been given, by registered or certified mail, to the Company by the Trustee a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a Notice of Default ; or

(d) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable Federal or State law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 60 consecutive days; or

(e) the commencement by the Company of a voluntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable Federal or State bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable Federal or State law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

(f) if, pursuant to Section 18(a)(1)(c)(ii) of the 1940 Act on the last business day of each of twenty-four (24) consecutive calendar months, the 1940 Act Tortoise Notes Asset Coverage is less than 100%; or

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(g) any other Event of Default provided with respect to a series of Tortoise Notes, including a default in the payment of any Redemption Price payable on the date fixed for redemption.

Unless otherwise noted, an Event of Default that relates only to one series of Tortoise Notes will not affect any other series.

Acceleration of Maturity; Rescission and Annulment

If an Event of Default with respect to Tortoise Notes of a series at the time Outstanding occurs and is continuing, then in every such case the Trustee or the holders of not less than a majority in principal amount of the Outstanding Tortoise Notes of that series may declare the principal amount of all the Tortoise Notes of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable. If an Event of Default specified in paragraphs (d) and (e) above with respect to Tortoise Notes of any series at the time Outstanding occurs, the principal amount of all the Tortoise Notes of that series shall automatically, and without any declaration or other action on the part of the Trustee or any holder, become immediately due and payable.

At any time after such a declaration of acceleration with respect to Tortoise Notes of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in principal amount of the Outstanding Tortoise Notes of that series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

- (a) the Company has paid or deposited with the Trustee a sum sufficient to pay
 - (i) all overdue interest on all Tortoise Notes of that series,
 - (ii) the principal of (and premium, if any, on) any Tortoise Notes of that series which have become due otherwise than by such declaration of acceleration and any interest thereon at the rate or rates prescribed therefor in such Tortoise Notes,
 - (iii) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such Tortoise Notes,
 - (iv) all sums paid or advanced by the Trustee and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and
- (b) all Events of Default with respect to Tortoise Notes of that series, other than the non-payment of the principal of Tortoise Notes of that series which have become due solely by such declaration of acceleration, have been cured or waived.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Collection of Indebtedness and Suits for Enforcement by Trustee

The Company covenants that if:

- (a) default is made in the payment of any interest on any Tortoise Notes when such interest becomes due and payable and such default continues for a period of 90 days, or

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(b) default is made in the payment of the principal of (or premium, if any, on) any Tortoise Notes at the Maturity thereof, the Company will, upon demand of the Trustee, pay to it, for the benefit of the holders of such Tortoise Notes, the whole amount then due and payable on such Tortoise Notes for principal and any premium and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal and premium and on any overdue interest, at the rate or rates prescribed therefor in such Tortoise Notes, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If an Event of Default with respect to Tortoise Notes of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the holders of Tortoise Notes of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Indenture or in aid of the exercise of any power granted in the Indenture, or to enforce any other proper remedy.

Application of Money Collected

Any money collected by the Trustee pursuant to the provisions of the Indenture relating to an Event of Default shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or any premium or interest, upon presentation of the Tortoise Notes and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee under the Indenture;

and

SECOND: To the payment of the amounts then due and unpaid for principal of and any premium and interest on the Tortoise Notes in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Tortoise Notes for principal and any premium and interest, respectively.

Limitation On Suits

No holder of any Tortoise Notes of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(a) such holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Tortoise Notes of that series;

(b) the holders of not less than a majority in principal amount of the Outstanding Tortoise Notes of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such holder or holders have offered to the Trustee indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

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(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the holders of a majority in principal amount of the Outstanding Tortoise Notes of that series; it being understood and intended that no one or more of such holders shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such holders, or to obtain or to seek to obtain priority or preference over any other of such holders or to enforce any right under the Indenture, except in the manner provided and for the equal and ratable benefit of all of such holders.

Unconditional Right of Holders to Receive Principal, Premium and Interest

Notwithstanding any other provision in the Indenture, the holder of any Tortoise Notes shall have the right, which is absolute and unconditional, to receive payment of the principal of and any premium and (subject to the provisions of any supplemental indenture) interest on such Tortoise Notes on the respective Stated Maturities expressed in such Tortoise Notes (or, in the case of redemption, on the Redemption Date), and to institute suit for the enforcement of any such payment and such rights shall not be impaired without the consent of such holder.

Restoration of Rights and Remedies

If the Trustee or any holder has instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the holders shall be restored severally and respectively to their former positions and thereafter all rights and remedies of the Trustee and the holders shall continue as though no such proceeding had been instituted.

Rights and Remedies Cumulative

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Tortoise Notes, no right or remedy conferred upon or reserved to the Trustee or to the holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Control By Holders

The holders of not less than a majority in principal amount of the Outstanding Tortoise Notes of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Tortoise Notes of such series, provided that

- (1) such direction shall not be in conflict with any rule of law or with the Indenture, and
- (2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

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Waiver of Past Defaults

The holders of not less than a majority in principal amount of the Outstanding Tortoise Notes of any series may on behalf of the holders of all the Tortoise Notes of such series waive any past default hereunder with respect to such series and its consequences, except a default

- (1) in the payment of the principal of or any premium or interest on any Tortoise Notes of such series, or
- (2) in respect of a covenant or provision which cannot be modified or amended without the consent of the holder of each Outstanding Tortoise Notes of such series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SATISFACTION AND DISCHARGE OF INDENTURE

The Indenture shall upon request of the Company cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of any Tortoise Notes expressly provided for herein or in the terms of such security), and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of the Indenture, when

- (a) Either:
 - (i) all Tortoise Notes theretofore authenticated and delivered (other than (1) securities which have been destroyed, lost or stolen and which have been replaced or paid as provided in the Indenture; and (2) Tortoise Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in the Indenture) have been delivered to the Trustee for cancellation; or
 - (ii) all such Tortoise Notes not theretofore delivered to the Trustee for cancellation have become due and payable, or will become due and payable at their Stated Maturity within one year, or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, and the Company, in the case of this subsection (ii) has deposited or caused to be deposited with the Trustee as trust funds in trust money in an amount sufficient to pay and discharge the entire indebtedness on such securities not theretofore delivered to the Trustee for cancellation, for principal and any premium and interest to the date of such deposit (in the case of Securities which have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;
- (b) the Company has paid or caused to be paid all other sums payable hereunder by the Trust; and
- (c) the Company has delivered to the Trustee an Officers Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of the Indenture have been complied with.

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Notwithstanding the satisfaction and discharge of the Indenture, the obligations of the Company to the Trustee under the Indenture and, if money shall have been deposited with the Trustee pursuant to subparagraph (ii) of paragraph (a) above, the obligations of the Trustee under certain provisions of the Indenture shall survive.

THE TRUSTEE

Certain Duties and Responsibilities

(1) Except during the continuance of an Event of Default,

(A) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture and as required by the Trust Indenture Act, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and

(B) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such certificates or opinions which by any provision of the Indenture are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).

(2) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(3) In no event shall the Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit) irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

(4) In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

(5) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(A) this Subsection shall not be construed to limit the effect of Subsection (1)(A) of this Section;

(B) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

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(C) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of a majority in principal amount of the Outstanding securities of any series, determined as provided in the Indenture, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture with respect to the Securities of such series; and

(D) no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Notice of Defaults

If a default occurs hereunder with respect to Tortoise Notes of any series, the Trustee shall give the Holders of Tortoise Notes of such series notice of such default as and to the extent provided by the Trust Indenture Act; provided, however, that in the case of any default with respect to Tortoise Notes of such series, no such notice to Holders shall be given until at least 90 days after the occurrence thereof. For the purpose hereof, the term default means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Tortoise Notes of such series.

Certain Rights of Trustee

Subject to the provisions under Certain Duties and Responsibilities above:

(a) the Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company shall be sufficiently evidenced by a Company Request or Company Order, and any resolution of the Board of Directors shall be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of the Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee may, in the absence of bad faith on its part, rely upon an Officers Certificate;

(d) the Trustee may consult with counsel of its selection and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the holders pursuant to the Indenture, unless such holders shall have offered to the Trustee security or indemnity reasonably satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and,

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if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(g) the Trustee may execute any of the trusts or powers or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) the Trustee shall not be liable for any action taken, suffered or omitted to be taken by it in good faith and reasonably believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture;

(i) the Trustee shall not be deemed to have notice of any default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such a default is received by the Trustee at the Corporate Trust Office of the Trustee, and such notice references the Tortoise Notes and the Indenture;

(j) the rights, privileges, protections, immunities and benefits given to the Trustee, including its rights to be indemnified, are extended to, and shall be enforceable by, the Trustee in each of its capacities hereunder; and

(k) the Trustee may request that the Company deliver an Officers Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to the Indenture, which Officers Certificate may be signed by any person authorized to sign an Officers Certificate, including any person specified as so authorized in any such certificate previously delivered and not superceded.

Compensation and Reimbursement

The Company agrees:

(a) to pay to the Trustee from time to time such compensation as shall be agreed in writing between the parties for all services rendered by it (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of the Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) to indemnify each of the Trustee or any predecessor Trustee for, and to hold it harmless against, any and all losses, liabilities, damages, claims or expenses including taxes (other than taxes imposed on the income of the Trustee) incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim (whether asserted by the Company, a holder or any other Person) or liability in connection with the exercise or performance of any of its powers or duties hereunder.

When the Trustee incurs expenses or renders services in connection with an Event of Default, the expenses (including the reasonable charges and expenses of its counsel) and the compensation for the services are intended to constitute expenses of administration under any applicable Federal or State bankruptcy, insolvency or other similar law.

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The provisions hereof shall survive the termination of the Indenture.

Conflicting Interests

If the Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and the Indenture. To the extent not prohibited by the Trust Indenture Act, the Trustee shall not be deemed to have a conflicting interest by virtue of being a trustee under the Indenture with respect to Tortoise Notes of more than one series.

Resignation and Removal; Appointment of Successor

No resignation or removal of the Trustee and no appointment of a successor Trustee shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements.

The Trustee may resign at any time with respect to the Tortoise Notes of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 60 days after the giving of such notice of resignation, the resigning Trustee may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Tortoise Notes of such series.

The Trustee may be removed at any time with respect to the Tortoise Notes of any series by Act of the holders of a majority in principal amount of the Outstanding Tortoise Notes of such series, delivered to the Trustee and to the Company. If the instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of a notice of removal pursuant to this paragraph, the Trustee being removed may petition, at the expense of the Company, any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Tortoise Notes of such series.

If at any time:

(a) the Trustee shall fail to comply after written request therefor by the Company or by any holder who has been a bona fide holder of Tortoise Notes for at least six months, or

(b) the Trustee shall cease to be eligible and shall fail to resign after written request therefor by the Company or by any such holder, or

(c) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, (i) the Company by a Board Resolution may remove the Trustee with respect to all Tortoise Notes, or (ii) any holder who has been a bona fide holder of Tortoise Notes for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Tortoise Notes and the appointment of a successor Trustee or Trustees.

If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Tortoise Notes of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Tortoise Notes of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Tortoise Notes of one or more or all of such series and that at any time there

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shall be only one Trustee with respect to the Tortoise Notes of any particular series) and shall comply with the applicable requirements. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Tortoise Notes of any series shall be appointed by Act of the holders of a majority in principal amount of the Outstanding Tortoise Notes of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements, become the successor Trustee with respect to the Tortoise Notes of such series and to that extent supersede the successor Trustee appointed by the Company.

If no successor Trustee with respect to the Tortoise Notes of any series shall have been so appointed by the Company or the holders and accepted appointment in the manner required, any holder who has been a bona fide holder of Tortoise Notes of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Tortoise Notes of such series.

The Company shall give notice of each resignation and each removal of the Trustee with respect to the Tortoise Notes of any series and each appointment of a successor Trustee with respect to the Tortoise Notes of any series to all holders of Tortoise Notes of such series in the manner provided. Each notice shall include the name of the successor Trustee with respect to the Tortoise Notes of such series and the address of its Corporate Trust Office.

Acceptance of Appointment by Successor

In case of the appointment hereunder of a successor Trustee with respect to all Tortoise Notes, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

In case of the appointment hereunder of a successor Trustee with respect to the Tortoise Notes of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Tortoise Notes of one or more series shall execute and deliver a supplemental indenture wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Tortoise Notes of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Tortoise Notes, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Tortoise Notes of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of the Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing in the Indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the

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Tortoise Notes of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Tortoise Notes of that or those series to which the appointment of such successor Trustee relates.

Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in the first or second preceding paragraph, as the case may be.

No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible.

Merger, Conversion, Consolidation or Succession to Business

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Tortoise Notes shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Tortoise Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Tortoise Notes.

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

Company May Consolidate, Etc., Only On Certain Terms

The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and the Company shall not permit any Person to consolidate with or merge into the Company, unless:

(a) in case the Company shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation, partnership or trust, shall be organized and validly existing under the laws of any domestic or foreign jurisdiction and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and any premium and interest on all the Tortoise Notes and the performance or observance of every covenant of the Indenture on the part of the Company to be performed or observed;

(b) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Company or any subsidiary as a result of such transaction as having been incurred by the Company or such Subsidiary at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing;

(c) the Company has delivered to the Trustee an Officers Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental

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indenture is required in connection with such transaction, such supplemental indenture comply and that all conditions precedent in the Indenture provided for relating to such transaction have been complied with.

Successor Substituted

Upon any consolidation of the Company with, or merger of the Company into, any other Person or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety, the successor Person formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture with the same effect as if such successor Person had been named as the Company in the Indenture, and thereafter, except in the case of a lease, the predecessor Person shall be relieved of all obligations and covenants under the Indenture and the Tortoise Notes.

DEFEASANCE AND COVENANT DEFEASANCE

Defeasance and Discharge

Upon the Company's exercise of its option (if any) to have the provisions of the Indenture relating to Defeasance applied to any Tortoise Notes or any series of Tortoise Notes, as the case may be, the Company shall be deemed to have been discharged from its obligations, with respect to such Tortoise Notes as provided in the Indenture on and after the date the conditions set forth are satisfied (hereinafter called "Defeasance"). For this purpose, such Defeasance means that the Company shall be deemed to have paid and discharged the entire indebtedness represented by such Tortoise Notes and to have satisfied all its other obligations under such Tortoise Notes and the Indenture insofar as such Tortoise Notes are concerned (and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging the same), subject to the following which shall survive until otherwise terminated or discharged hereunder: (1) the rights of holders of such Tortoise Notes to receive, solely from the trust fund, payments in respect of the principal of and any premium and interest on such Tortoise Notes when payments are due, (2) the Company's obligations with respect to such Tortoise Notes, (3) the rights, powers, trusts, duties and immunities of the Trustee.

Covenant Defeasance

Upon the Company's exercise of its option (if any) to have provisions of the Indenture relating to Covenant Defeasance applied to any Tortoise Notes or any series of Tortoise Notes, as the case may be, (1) the Company shall be released from its obligations under certain provisions of the Indenture for the benefit of the holders of such Tortoise Notes and (2) the occurrence of any event specified in the Indenture, and any such covenants provided pursuant to certain provisions of the Indenture shall be deemed not to be or result in an Event of Default, in each case with respect to such Tortoise Notes as provided in the Indenture on and after the date the conditions are satisfied (hereinafter called "Covenant Defeasance"). For this purpose, such Covenant Defeasance means that, with respect to such Tortoise Notes, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such specified section of the Indenture, whether directly or indirectly by reason of any reference elsewhere in the Indenture, or by reason of any reference in any such section or article of the Indenture to any other provision in the Indenture or in any other document, but the remainder of the Indenture and such Tortoise Notes shall be unaffected thereby.

Table of Contents**Conditions to Defeasance or Covenant Defeasance**

(a) The Company shall irrevocably have deposited or caused to be deposited with the Trustee (or another trustee which satisfies the requirements and agrees to comply with the provisions of the relevant Article of the Indenture applicable to it) as trust funds in trust for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to, the benefits of the holders of such Tortoise Notes, (i) money in an amount, or (ii) U.S. Government Obligations which through the scheduled payment of principal and interest in respect thereof in accordance with their terms will provide, not later than one day before the due date of any payment, money in an amount, or (iii) such other obligations or arrangements as may be specified with respect to such Tortoise Notes, or (iv) a combination thereof, in each case sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee, to pay and discharge, and which shall be applied by the Trustee (or any such other qualifying trustee) to pay and discharge, the principal of and any premium and interest on such Tortoise Notes on the respective Stated Maturities, in accordance with the terms of the Indenture and such Tortoise Notes. As used in the Indenture, U.S. Government Obligation means (x) any security which is (i) a direct obligation of the United States of America for the payment of which the full faith and credit of the United States of America is pledged or (ii) an obligation of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case (i) or (ii), is not callable or redeemable at the option of the Company thereof, and (y) any depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Tortoise Notes Act) as custodian with respect to any U.S. Government Obligation which is specified in Clause (x) above and held by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any U.S. Government Obligation which is so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal or interest evidenced by such depositary receipt.

(b) In the event of an election to have Defeasance and Discharge apply to any Tortoise Notes or any series of Tortoise Notes, as the case may be, the Company shall have delivered to the Trustee an Opinion of Counsel stating that (i) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (ii) since the date of this instrument, there has been a change in the applicable Federal income tax law, in either case (i) or (ii) to the effect that, and based thereon such opinion shall confirm that, the holders of such Tortoise Notes will not recognize gain or loss for Federal income tax purposes as a result of the deposit, Defeasance and discharge to be effected with respect to such Tortoise Notes and will be subject to Federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit, Defeasance and discharge were not to occur.

(c) In the event of an election to have Covenant Defeasance apply to any Tortoise Notes or any series of Tortoise Notes, as the case may be, the Company shall have delivered to the Trustee an Opinion of Counsel to the effect that the holders of such Tortoise Notes will not recognize gain or loss for Federal income tax purposes as a result of the deposit and Covenant Defeasance to be effected with respect to such Tortoise Notes and will be subject to Federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit and Covenant Defeasance were not to occur.

(d) The Company shall have delivered to the Trustee an Officers Certificate to the effect that neither such Tortoise Notes nor any other Tortoise Notes of the same series, if then listed on any Tortoise Notes exchange, will be delisted as a result of such deposit.

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(e) No event which is, or after notice or lapse of time or both would become, an Event of Default with respect to such Tortoise Notes or any other Tortoise Notes shall have occurred and be continuing at the time of such deposit or, with regard to any such event specified, at any time on or prior to the 90th day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until after such 90th day).

(f) Such Defeasance or Covenant Defeasance shall not cause the Trustee to have a conflicting interest within the meaning of the Trust Indenture Act (assuming all Tortoise Notes are in default within the meaning of such Act).

(g) Such Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company is a party or by which it is bound.

(h) Such Defeasance or Covenant Defeasance shall not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act unless such trust shall be registered under the Investment Company Act or exempt from registration thereunder.

(i) No event or condition shall exist that would prevent the Company from making payments of the principal of (and any premium) or interest on the Tortoise Notes of such series on the date of such deposit or at any time on or prior to the 90th day after the date of such deposit (it being understood that this condition shall not be deemed satisfied until after such 90th day).

(j) The Company shall have delivered to the Trustee an Officers Certificate and an Opinion of Counsel, each stating that all conditions precedent with respect to such Defeasance or Covenant Defeasance have been complied with.

(k) The Company shall have delivered to the Trustee an Opinion of Counsel substantially to the effect that (i) the trust funds deposited pursuant hereto will not be subject to any rights of any holders of indebtedness or equity of the Company, and (ii) after the 90th day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors rights generally, except that if a court were to rule under any such law in any case or proceeding that the trust funds remained property of the Company, no opinion is given as to the effect of such laws on the trust funds except the following: (A) assuming such trust funds remained in the possession of the trustee with whom such funds were deposited prior to such court ruling to the extent not paid to holders of such Tortoise Notes, such trustee would hold, for the benefit of such holders, a valid and perfected security interest in such trust funds that is not avoidable in bankruptcy or otherwise and (B) such holders would be entitled to receive adequate protection of their interests in such trust funds if such trust funds were used.

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**APPENDIX A-I
AUCTION PROCEDURES**

1. Orders by Existing Holders and Potential Beneficial Owners. (a) Prior to the Broker-Dealer Deadline for each Series of Tortoise Notes on each Auction Date:

(i) each Existing Holder may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the principal amount of Tortoise Notes, if any, of the series held by the Existing Holder which the Existing Holder commits to continue to hold for the next succeeding Auction Period without regard to the Applicable Rate for such Auction Period;

(B) the principal amount of Tortoise Notes, if any, of the series held by the Existing Holder which the Existing Holder commits to continue to hold for the next succeeding Auction Period if the Applicable Rate for Tortoise Notes for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) of this Section); and/or

(C) the principal amount of Tortoise Notes, if any, of the series held by the Existing Holder which the Existing Holder offers to sell on the first Business Day of the next succeeding Auction Period without regard to the Applicable Rate for Tortoise Notes for the next succeeding Auction Period; and

(ii) each Potential Beneficial Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the principal amount of outstanding Tortoise Notes of a series which each such Potential Beneficial Owner offers to purchase if the Applicable Rate for the Tortoise Notes of such series for the next succeeding Rate Period is not less than the rate per annum then specified by such Potential Beneficial Owner.

For the purposes of the Auction Procedures, an Order containing the information referred to in clause (i)(A) of this paragraph (a) is referred to as a Hold Order, an Order containing the information referred to in clause (i)(B) or (ii) of this paragraph (a) is referred to as a Bid, and an Order containing the information referred to in clause (i)(C) of this paragraph (a) is referred to as a Sell Order.

No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Holder or a Potential Beneficial Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the amount of outstanding Tortoise Notes. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific interest rate.

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(b) (i) A Bid by an Existing Holder shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period:

(A) the principal amount of outstanding Tortoise Notes specified in the Bid if the Applicable Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) the principal amount or a lesser principal amount of outstanding Tortoise Notes to be determined as described in clause (v) of paragraph (a) of Section 5 of this Appendix A-I if the Applicable Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser principal amount of outstanding Tortoise Notes be determined as described in clause (iv) of paragraph (b) of Section 5 of this Appendix A-I if the rate specified therein shall be higher than the Maximum Rate and Sufficient Clearing Bids do not exist.

(ii) A Sell Order by an Existing Holder shall constitute an offer to sell:

(A) the principal amount of outstanding Tortoise Notes of the series specified in the Sell Order; or

(B) the principal amount or a lesser principal amount of outstanding Tortoise Notes of the series as set forth in clause (iv) of paragraph (b) of Section 5 of this Appendix A-I if Sufficient Clearing Bids for Tortoise Notes of the series do not exist;

(iii) A Bid by a Potential Holder of Tortoise Notes shall constitute an offer to purchase:

(A) the principal amount of outstanding Tortoise Notes of the series specified in the Bid if the Applicable Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) the principal amount or a lesser principal amount of outstanding Tortoise Notes of the series as set forth in clause (vi) of paragraph (a) of Section 5 of this Appendix A-I if the Applicable Rate for the Tortoise Notes determined on the Auction Date shall be equal to the rate specified therein.

(C) Anything herein to the contrary notwithstanding:

(1) if an Order or Orders covering all of the Tortoise Notes of a particular series held by any Existing Holder is not submitted to the Broker-Dealer prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of the Existing Holder covering the principal amount of outstanding Tortoise Notes of the series held by the Existing Holder and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the aggregate principal amount of Tortoise Notes of a particular series to be converted held by such Existing Holder, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of the Existing Holder covering the principal amount of Tortoise Notes to

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be converted held by the Existing Holder and not subject to Orders submitted to such Broker-Dealer;

(2) for purposes of any Auction, any Order by an Existing Holder or Potential Holder shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline all such Orders shall be irrevocable except as provided in Sections 2(e)(ii) and 2(f); and

(3) for purposes of any Auction, any Tortoise Notes sold or purchased pursuant to clauses (i), (ii) or (iii) of paragraph (b) of this Section 1 shall be sold or purchased at a price equal to 100% of the principal amount thereof.

2. Submission of Orders by Broker-Dealers to Auction Agent.

(a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such other electronic means, as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Tortoise Notes of a series, all Orders with respect to Tortoise Notes of such series accepted by such Broker-Dealer in accordance with Section 1 above and specifying with respect to each Order or aggregation of Orders pursuant to paragraph (b) of this Section 2:

(i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders, if requested by the Auction Agent;

(iii) the aggregate number of Units of Tortoise Notes of the series, if any, that are the subject of the Order;

(iv) to the extent that the Bidder is an Existing Holder of Tortoise Notes of the series:

(A) the number of Units of Tortoise Notes, if any, of the series subject to any Hold Order placed by the Existing Holder;

(B) the number of Units of Tortoise Notes, if any, of the series subject to any Bid placed by the Existing Holder and the rate specified in the Bid; and

(C) the number of Units of Tortoise Notes, if any, of the series subject to any Sell Order placed by the Existing Holder; and

(v) to the extent the Bidder is a Potential Holder of Tortoise Notes of the series, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Beneficial Owner, the Broker-Dealer shall aggregate each Bid on behalf of such Potential Beneficial Owner submitted with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Units of Tortoise Notes of the series specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Beneficial Owners with those of other Potential Beneficial Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Holders with other Existing Holders on whose behalf the

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Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the interest rates on the Bids are the same.

(c) None of the Company, the Trustee or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Beneficial Owner, Potential Beneficial Owner, Existing Holder or Potential Holder.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Tortoise Notes of a series for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error on the part of the Broker-Dealer in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline, and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Holder, Potential Beneficial Owner or a Broker-Dealer which is not an Order generated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline (provided that the Broker-Dealer has a record of such Order and the time when such Order was received or granted) as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a clerical error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Holder or a Potential Beneficial Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this Section 2(f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this Section 2(f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Holder or Potential Beneficial Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Holder, a Potential Beneficial Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or

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withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m., New York City time on the Auction Date. If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m., New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in the Tortoise Notes of the series subject to such Auction of the corrected results.

(h) Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for Tortoise Notes of the series, provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to the Submission Deadline, provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

3. Treatment of Orders by the Auction Agent. Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section 3 and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round the rate up to the next highest one thousandth of one percent (0.001%).

(c) If one or more Orders covering in the aggregate more than the number of Units of Tortoise Notes of a particular series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders for Tortoise Notes of a series shall be considered Hold Orders, but only up to and including in the aggregate the number of Units of outstanding Tortoise Notes of the series for which such Broker-Dealer is the Broker-Dealer of record;

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(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Holder up to and including the excess of the number of Units of outstanding Tortoise Notes of such series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Tortoise Notes of such series subject to any Hold Orders referred to in clause (i) above;

(B) subject to subclause (A), all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Holder up to and including the excess of the number of Units of Tortoise Notes of the series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Tortoise Notes of such series for which the Broker-Dealer is the Broker-Dealer of record subject to any Hold Orders referred to in clause (i) above;

(C) subject to subclause (A), if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Holder in the ascending order of their respective rates up to the amount of excess of the number of Units of Tortoise Notes of the series for which such Broker-Dealer is the Broker-Dealer of record over the number of Units of Tortoise Notes of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to any Hold Orders referred to in clause (i) above;

(D) the number of Units, if any, of outstanding Tortoise Notes of the series subject to Bids not considered to be Bids for which such Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid for Tortoise Notes of the series by a Potential Beneficial Owner; and

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including the number of Units of Tortoise Notes of such series equal to the excess of the number of Units of Tortoise Notes of such series for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Units of Tortoise Notes of such series subject to Hold Orders referred to in clause (i) above and the number of Units of Tortoise Notes of such series considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

(d) If an Order is for other than an integral number of Units, then the Auction Agent shall round the number down to the nearest number of whole Units, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Units.

(e) If the Auction Agent has been notified by the Trustee or the Company that any portion of an Order by a Broker-Dealer relates to a Tortoise Note of a series that has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(f) No Tortoise Note of a series which the Auction Agent has been notified by the Trustee or the Company has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Tortoise Notes for such Auction.

(g) If an Order or Orders covering all of the Tortoise Notes of a particular series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Units

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of Tortoise Notes for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Units of Tortoise Notes of a particular series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Units of Tortoise Notes to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

4. Determination of Applicable Rate. (a) If requested by the Trustee or a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each series of Tortoise Notes, the Auction Agent shall advise such Broker-Dealer (and thereafter confirm to the Trustee, if requested) of the All Hold Rate. Such advice, and confirmation, shall be made by telephone or other electronic means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for the Tortoise Notes of a series on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a Submitted Hold Order, a Submitted Bid or a Submitted Sell Order, as the case may be, and collectively as a Submitted Order) and shall determine (i) the Available Tortoise Notes, (ii) whether there are Sufficient Clearing Bids, and (iii) the Applicable Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Auction Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Applicable Rate for the new Auction Period shall be the percentage of the Index set forth in Section 4(f) below if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Applicable Rate for the period as so extended shall be the same as the Applicable Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Applicable Rate for the new Auction Period shall be the percentage of the Index set forth in Section 4(f) below if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Trustee, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Applicable Rate for the period as so extended shall be the same as the Applicable Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of

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the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Auction Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Auction Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Applicable Rate shall be the Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Applicable Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

(e) If the Tortoise Notes are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Applicable Rate shall be the Maximum Rate.

(f) The percentage of the Index in Section 4(c) is 100%.

5. Allocation of Tortoise Notes. (a) In the event of Sufficient Clearing Bids for the Tortoise Notes of a series subject to the further provisions of paragraphs (c) and (d) of this Section 5. Submitted Orders for Tortoise Notes of the series shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Holder shall be accepted, thus requiring each such Existing Holder to continue to hold the Tortoise Notes that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Holder shall be accepted and the Submitted Bids of each Existing Holder specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each Existing Holder to sell the Tortoise Notes that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Holder specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to continue to hold the Tortoise Notes that are the subject of the Submitted Bid;

(iv) the Submitted Bid of each Potential Holder specifying any rate that is lower than the Winning Bid Rate for Tortoise Notes of the series shall be accepted, thus requiring each such Potential Holder to purchase the Tortoise Notes that are the subject of the Submitted Bid;

(v) the Submitted Bid of each Existing Holder specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to continue to hold the Tortoise Notes of the series that are the subject of the Submitted Bid, but only up to and including the number of Units of Tortoise Notes of such series obtained by multiplying (A) the aggregate number of Units of Tortoise Notes which are not the subject of Submitted Hold

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Orders described in clause (i) of this paragraph (a) or of Submitted Bids described in clauses (iii) and (iv) of this paragraph (a) by (B) a fraction, the numerator of which shall be the number of Units of Tortoise Notes held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the aggregate number of Units of Tortoise Notes subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Holder to sell any excess amount of Tortoise Notes;

(vi) the Submitted Bid of each Potential Holder specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the Tortoise Notes of the series that are the subject of such Submitted Bid, but only in an amount equal to the number of Units of Tortoise Notes of such series obtained by multiplying (A) the aggregate number of Units of Outstanding Tortoise Notes which are not the subject of Submitted Hold Orders described in clause (i) of this paragraph (a) or of Submitted Bids described in clauses (iii), (iv) or (v) of this paragraph (a) by (B) a fraction, the numerator of which shall be the number of Units of Tortoise Notes subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Units of Tortoise Notes subject to such Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Holder specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids for the Tortoise Notes of a series, Submitted Orders for the Tortoise Notes of the series shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Holder shall be accepted, thus requiring each such Existing Holder to continue to hold the Tortoise Notes that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Holder specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Existing Holder to continue to hold the Tortoise Notes that are the subject of such Submitted Bid;

(iii) the Submitted Bids specifying any rate that is not higher than the Maximum Rate for the Tortoise Notes shall be accepted, thus requiring each such Potential Holder to purchase the Tortoise Notes that are the subject of such Submitted Bid; and

(iv) the Submitted Sell Orders of each Existing Holder shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Holder specifying any rate that is higher than the Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Units of Tortoise Notes of such series obtained by multiplying (A) the number of Units of Tortoise Notes subject to Submitted Bids described in clause (iii) of this paragraph (b) by (B) a fraction, the numerator of which shall be the number of Units of Tortoise Notes held by such Existing Holder subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the number of Units of Tortoise Notes subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Holder shall be required to continue to hold such excess amount of Tortoise Notes; and

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(v) the Submitted Bid of each Potential Holder specifying any rate that is higher than the Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in Section 5(a) or (b) above, any Existing Holder or Potential Holder would be required to purchase or sell an aggregate principal amount of Tortoise Notes that is not an integral multiple of an Authorized Denomination on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of the Tortoise Notes to be purchased or sold by any Existing Holder or Potential Holder on such Auction Date so that the aggregate principal amount of the Tortoise Notes purchased or sold by each Existing Holder or Potential Holder on such Auction Date shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Existing Holder or Potential Holder not purchasing or selling any Tortoise Notes on such Auction Date.

(d) If, as a result of the undertakings described in Section 5(a) above, any Potential Holder would be required to purchase less than an Authorized Denomination in principal amount of the Tortoise Notes on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Tortoise Notes for purchase among Potential Holders so that the principal amount of the Tortoise Notes purchased on such Auction Date by any Potential Holder shall be an integral multiple of such Authorized Denomination, even if such allocation results in one or more of such Potential Holders not purchasing the Tortoise Notes on such Auction Date.

6. Notice of Applicable Rate. (a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by electronic means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to the Tortoise Notes of a series for which an Auction was held on such Auction Date:

(i) the Applicable Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Holder, whether such Bid or Sell Order was accepted or rejected and the number of Units of Tortoise Notes of the series, if any, to be sold by such Existing Holder;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Holder, whether such Bid was accepted or rejected and the number of Units of Tortoise Notes of the series, if any, to be purchased by such Potential Holder;

(v) if the aggregate number of Units of Tortoise Notes of a series to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Units of Tortoise Notes of such series to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Units of Tortoise Notes of such series to be (A) purchased from one or more Existing Holders on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Holders on whose behalf such Broker-Dealer submitted Bids;

(vi) the amount of interest payable per Unit on each Interest Payment Date with respect to such Auction Period; and

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(vii) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each series of Tortoise Notes for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Holder or Potential Holder shall: (i) if requested by an Existing Holder or a Potential Holder advise such Existing Holder or Potential Holder on whose behalf such Broker-Dealer submitted an Order as to (A) the Applicable Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Holder's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Units of Tortoise Notes of such series to be purchased pursuant to such Bid against receipt of such Tortoise Notes; and (iii) instruct each Existing Holder on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Holder's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Units of Tortoise Notes of the series to be sold pursuant to such Bid or Sell Order against payment therefor.

(c) The Auction Agent shall give notice of the Auction Rate to the Company and the Trustee by mutually acceptable electronic means and the Trustee shall promptly give notice of such Auction Rate to the Securities Depository.

7. Miscellaneous Provisions Regarding Auctions. (a) In this Appendix A-I, each reference to the purchase, sale or holding of Tortoise Notes shall refer to beneficial interests in Tortoise Notes, unless the context clearly requires otherwise.

(b) During an auction Rate Period with respect to each series of Tortoise Notes, the provisions of the Indenture and the definitions contained therein and described in this Appendix A-I, including without limitation the definitions of All Hold Rate, Interest Payment Date, Maximum Rate, and Applicable Rate, may be amended pursuant to the Indenture by obtaining the consent of the majority of the owners of the affected Outstanding Tortoise Notes of a series bearing interest at the Applicable Rate as follows. If on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the affected Outstanding Tortoise Notes of the series, (i) the Applicable Rate which is determined on such date is the Winning Bid Rate or the All Hold Rate and (ii) there is delivered to the Company and the Trustee an opinion of counsel to the effect that such amendment shall not adversely affect the validity of the Tortoise Notes of the series, the proposed amendment shall be deemed to have been consented to by the owners of all affected Outstanding Tortoise Notes of the series bearing interest at the Applicable Rate.

(c) If the Securities Depository notifies the Company that it is unwilling or unable to continue as registered owner of the Tortoise Notes of a series or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Company within 90 days after the Company receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the Company shall execute and the Trustee shall authenticate and deliver certificates representing the Tortoise Notes of the series. Such Tortoise Notes shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Company and the Trustee.

(d) During an Auction Period, so long as the ownership of the Tortoise Notes of a series is maintained in book-entry form by the Securities Depository, an Existing Holder or a Beneficial Owner may sell, transfer or otherwise dispose of a Tortoise Note only pursuant to a Bid or Sell Order in

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accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions such Existing Holder or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Tortoise Notes of the series from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Tortoise Notes to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Holder of the Tortoise Notes so sold, transferred or disposed or immediately after such sale, transfer or disposition.

8. **Changes in Auction Period or Auction Date.**

(a) *Changes in Auction Period.*

(i) During any Auction Period, the Issuer, may, from time to time on the Interest Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Tortoise Notes of a series in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the rate of Tortoise Notes of such series. The Company shall initiate the change in the length of the Auction Period by giving written notice to the Trustee, Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months and shall be for all of the Tortoise Notes of such series.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Holder submits an Order with respect to such Tortoise Notes of any series each Existing Holder shall be deemed to have submitted Sell Orders with respect to all of its Tortoise Notes of such series if the change is to a longer Auction Period and a Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) *Changes in Auction Date.* During any Auction Period, the Auction Agent, at the direction of the Company, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of Auction Date in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the rate of the Tortoise Notes of the series. The Auction Agent shall provide notice of the Company's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Company and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier or later Auction Date, the days of the week on which an Auction Period begins and ends and the Interest Payment Dates shall be adjusted accordingly.

(c) *Changes Resulting from Unscheduled Holidays.* If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers

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may, as they deem appropriate, and after providing notice to the Company, set a different Auction Date and adjust any Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by a majority of the Broker-Dealers (based on the number of Units for which a Broker-Dealer is listed as the Broker-Dealer in the Existing Holder registry maintained by the Auction Agent pursuant to Section 2.2 of the Auction Agreement), and, if there is not a majority so directing, the Auction Date shall be moved to the next succeeding Business Day following the scheduled Auction Date, and the Interest Payment Date and the Auction Period shall be adjusted accordingly.

9. Index.

(a) If for any reason on any Auction Date the Index shall not be determined as provided in Appendix A-I Tortoise Notes Auction Procedures, the Index shall be the Index for the prior Business Day.

(b) The determination of the Index as provided in the Indenture and Appendix A-I Tortoise Notes Auction Procedures shall be conclusive and binding upon the Company, the Trustee, the Broker-Dealers, the Auction Agent and the holders of the Tortoise Notes.

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**APPENDIX B FORM OF ARTICLES SUPPLEMENTARY
SERIES ___ TORTOISE AUCTION PREFERRED SHARES**

Tortoise Energy Infrastructure Corporation (the Company), a Maryland corporation, certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: Under a power contained in Article V, of the charter of the Company (the Charter), the Board of Directors by duly adopted resolutions classified and designated _____ shares of authorized but unissued Preferred Stock (as defined in the Charter) as shares of Series ___ Tortoise Auction Preferred Shares, liquidation preference \$_____ per share, with the following preferences, rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption, which, upon any restatement of the Charter, shall become part of Article V of the Charter, with any necessary or appropriate renumbering or relettering of the sections or subsections hereof.

**TORTOISE AUCTION PREFERRED SHARES
DESIGNATION**

Tortoise Auction Preferred Shares: _____ shares of Preferred Stock are classified and designated as Series ___ Tortoise Auction Preferred Shares, liquidation preference \$_____ per share (Series ___ Tortoise Auction Preferred Shares). The initial Dividend Period for the Tortoise Auction Preferred Shares shall be the period from and including the Original Issue Date thereof to but excluding _____, 200____. Each Tortoise Auction Preferred Share shall have an Applicable Rate for its initial Dividend Period equal to ___% per annum and an initial Dividend Payment Date of _____, 200____. Each Tortoise Auction Preferred Share shall have such other preferences, rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption, in addition to those required by applicable law or set forth in the Charter applicable to shares of Preferred Stock (Preferred Shares), as are set forth in Part I and Part II of these terms of the Tortoise Auction Preferred Shares. The Tortoise Auction Preferred Shares shall constitute a separate series of Preferred Shares.

Subject to the provisions of Section 11 of Part I hereof, the Board of Directors of the Company may, in the future, authorize the issuance of additional Tortoise Auction Preferred Shares with the same preferences, rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption and other terms herein described, except that the initial Dividend Period, the Applicable Rate for the initial Dividend Period and the initial Dividend Payment Date shall be as set forth in the Articles Supplementary relating to such additional Tortoise Auction Preferred Shares.

As used in Part I and Part II of these terms of the Tortoise Auction Preferred Shares, capitalized terms shall have the meanings provided in Section 17 of Part I.

PART I. TORTOISE AUCTION PREFERRED SHARES TERMS

1. Number of Shares; Ranking. (a) The initial number of authorized Tortoise Auction Preferred Shares is _____ shares. No fractional Tortoise Auction Preferred Shares shall be issued.

(b) Any Tortoise Auction Preferred Shares which at any time have been redeemed or purchased by the Company shall, after redemption or purchase, be returned to the status of authorized but unissued Preferred Shares, without further designation as to series.

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(c) The Tortoise Auction Preferred Shares shall rank on a parity with shares of any other series of Preferred Shares (including any other Tortoise Auction Preferred Shares) as to the payment of dividends to which the shares are entitled and the distribution of assets upon dissolution, liquidation or winding up of the affairs of the Company.

(d) No Holder of Tortoise Auction Preferred Shares shall have, solely by reason of being a Holder, any preemptive right, or, unless otherwise determined by the Board of Directors, other right to acquire, purchase or subscribe for any Tortoise Auction Preferred Shares, shares of common stock of the Company (Common Shares) or other securities of the Company which it may hereafter issue or sell.

(e) No Holder of Tortoise Auction Preferred Shares shall be entitled to exercise the rights of an objecting stockholder under Title 3, Subtitle 2 of the Maryland General Corporation Law (the MGCL) or any successor provision.

2. **Dividends.** (a) The Holders of Tortoise Auction Preferred Shares shall be entitled to receive cash dividends, when, as and if authorized by the Board of Directors and declared by the Company, out of funds legally available therefor, at the rate per annum equal to the Applicable Rate, determined as set forth in paragraph (c) of this Section 2, and no more, payable on the respective dates determined as set forth in paragraph (b) of this Section 2. Dividends on Outstanding Tortoise Auction Preferred Shares issued on the Original Issue Date shall accumulate from the Original Issue Date.

(b) (i) Dividends shall be payable when, as and if authorized by the Board of Directors and declared by the Company following the initial Dividend Payment Date, subject to subparagraph (b)(ii) of this Section 2, on Tortoise Auction Preferred Shares, with respect to any Dividend Period on the first Business Day following the last day of the Dividend Period; provided, however, if the Dividend Period is greater than 30 days, then on a monthly basis on the first Business Day of each month within the Dividend Period and on the Business Day following the last day of the Dividend Period.

(ii) If a day for payment of dividends resulting from the application of subparagraph (b)(i) above is not a Business Day, then the Dividend Payment Date shall be the first Business Day that falls after such day for payment of dividends.

(iii) The Company shall pay to the Paying Agent not later than 3:00 p.m., New York City time, on the Business Day next preceding each Dividend Payment Date for the Tortoise Auction Preferred Shares, an aggregate amount of federal funds or similar same-day funds, equal to the dividends to be paid to all Holders of such shares on such Dividend Payment Date. The Company shall not be required to establish any reserves for the payment of dividends.

(iv) All moneys paid to the Paying Agent for the payment of dividends shall be held in trust for the payment of such dividends by the Paying Agent for the benefit of the Holders specified in subparagraph (b)(v) of this Section 2. Any moneys paid to the Paying Agent in accordance with the foregoing but not applied by the Paying Agent to the payment of dividends, will, to the extent permitted by law, be repaid to the Company at the end of 90 days from the date on which such moneys were to have been so applied.

(v) Each dividend on Tortoise Auction Preferred Shares shall be paid on the Dividend Payment Date therefor to the Holders as their names appear on the share ledger or share records of the Company on the Business Day next preceding such Dividend Payment Date. Dividends in arrears for any past Dividend Period may be declared and paid at any time, without reference to any regular Dividend Payment Date, to the Holders as their names appear on the share ledger or share records of the Company on such date, not exceeding 15 days preceding the

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payment date thereof, as may be fixed by the Board of Directors. No interest will be payable in respect of any dividend payment or payments which may be in arrears.

(c) (i) The dividend rate on Outstanding Tortoise Auction Preferred Shares during the period from and after the Original Issue Date to and including the last day of the initial Dividend Period therefor shall be equal to the rate per annum set forth under Designation above. For each subsequent Dividend Period with respect to the Tortoise Auction Preferred Shares Outstanding thereafter, the dividend rate shall be equal to the rate per annum that results from an Auction; provided, however, that if Sufficient Clearing Bids have not been made in an Auction (other than as a result of all Tortoise Auction Preferred Shares being the subject of Submitted Hold Orders), then the dividend rate on the Tortoise Auction Preferred Shares for any such Dividend Period shall be the Maximum Rate (except during a Default Period when the dividend rate shall be the Default Rate). If an Auction for any subsequent Dividend Period is not held for any reason, including because there is no Auction Agent or Broker-Dealer, then the dividend rate on the Tortoise Auction Preferred Shares for such Dividend Period shall be the Maximum Rate (except during a Default Period when the dividend rate shall be the Default Rate).

The All Hold Rate will apply automatically following an Auction in which all of the Outstanding Tortoise Auction Preferred Shares are subject (or are deemed to be subject) to Hold Orders. The rate per annum at which dividends are payable on Tortoise Auction Preferred Shares as determined pursuant to this Section 2(c)(i) shall be the Applicable Rate.

(ii) Subject to the cure provisions below, a Default Period will commence on any Dividend Payment Date or any date fixed for redemption, as applicable, if the Company fails to deposit irrevocably in trust in federal funds or similar same-day funds, with the Paying Agent by 12:00 noon, New York City time, (A) the full amount of any declared dividend payable on the Dividend Payment Date (a Dividend Default) or (B) the full amount of any Redemption Price payable on the date fixed for redemption (the Redemption Date) (a Redemption Default), and together with a Dividend Default, hereinafter referred to as Default). Subject to the cure provisions of Section 2(c)(iii) below, a Default Period with respect to a Dividend Default or a Redemption Default shall end on the Business Day on which, by 12:00 noon, New York City time, all unpaid dividends and any unpaid Redemption Price shall have been deposited irrevocably in trust in same-day funds with the Paying Agent. In the case of a Dividend Default, the Applicable Rate for each Dividend Period commencing during a Default Period will be equal to the Default Rate, and each subsequent Dividend Period commencing after the beginning of a Default Period shall be a Standard Dividend Period; provided, however, that the commencement of a Default Period will not by itself cause the commencement of a new Dividend Period. No Auction shall be held during a Default Period.

(iii) No Default Period with respect to a Dividend Default or Redemption Default shall be deemed to commence if the amount of any dividend or any Redemption Price due (if such default is not solely due to the willful failure of the Company) is deposited irrevocably in trust, in same-day funds with the Paying Agent by 12:00 noon, New York City time within three Business Days after the applicable Dividend Payment Date or Redemption Date, together with an amount equal to the Default Rate applied to the amount of such non-payment based on the actual number of days comprising such period divided by 360.

(iv) The amount of dividends per share payable (if declared) on each Dividend Payment Date of each Dividend Period (or in respect of dividends on another date in connection with a redemption during such Dividend Period) shall be computed by multiplying the Applicable Rate (or the Default Rate) for such Dividend Period (or a portion thereof) by a

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fraction, the numerator of which will be the number of days in such Dividend Period (or portion thereof) that such share was Outstanding and for which the Applicable Rate or the Default Rate was applicable and the denominator of which will be 360, multiplying the amount so obtained by the liquidation preference per share, and rounding the amount so obtained to the nearest cent.

(d) Any dividend payment made on Tortoise Auction Preferred Shares shall first be credited against the earliest accumulated but unpaid dividends due with respect to such Tortoise Auction Preferred Shares.

(e) For so long as the Tortoise Auction Preferred Shares are Outstanding, except as contemplated by Part I of these terms of the Tortoise Auction Preferred Shares, the Company will not declare, pay or set apart for payment any dividend or other distribution (other than a dividend or distribution paid in shares of, or options, warrants or rights to subscribe for or purchase, Common Shares or other shares of capital stock, if any, ranking junior to the Tortoise Auction Preferred Shares as to dividends or upon liquidation) with respect to Common Shares or any other shares of the Company ranking junior to or on a parity with the Tortoise Auction Preferred Shares as to dividends or upon liquidation, or call for redemption, redeem, purchase or otherwise acquire for consideration any Common Shares or any other such junior shares (except by conversion into or exchange for shares of the Company ranking junior to the Tortoise Auction Preferred Shares as to dividends and upon liquidation) or any such parity shares (except by conversion into or exchange for shares of the Company ranking junior to or on a parity with the Tortoise Auction Preferred Shares as to dividends and upon liquidation), unless (1) there is no event of default under any borrowings (including the Tortoise Notes) that is continuing; (2) immediately after such transaction, the Company would have Eligible Assets with an aggregate Discounted Value at least equal to the Tortoise Auction Preferred Shares Basic Maintenance Amount and the 1940 Act Tortoise Auction Preferred Shares Asset Coverage would be achieved, (3) immediately after the transaction, the Company would have eligible portfolio holdings with an aggregated discounted value at least equal to the asset coverage requirements, if any, under any Borrowings, (4) full cumulative dividends on the Tortoise Auction Preferred Shares due on or prior to the date of the transaction have been declared and paid and (5) the Company has redeemed the full number of Tortoise Auction Preferred Shares required to be redeemed by any provision for mandatory redemption contained in Section 3(a)(ii).

3. **Redemption.** (a) (i) After the initial Dividend Period, subject to the provisions of this Section 3 and to the extent permitted under the 1940 Act and Maryland law, the Company may, at its option, redeem in whole or in part out of funds legally available therefor Tortoise Auction Preferred Shares herein designated as (A) having a Dividend Period of one year or less, on the Business Day after the last day of such Dividend Period by delivering a notice of redemption to the Auction Agent not less than 15 calendar days and not more than 40 calendar days prior to the date fixed for such redemption, at a redemption price per share equal to \$_____, plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared) to the date fixed for redemption (Redemption Price), or (B) having a Dividend Period of more than one year, on any Business Day prior to the end of the relevant Dividend Period by delivering a notice of redemption to the Auction Agent not less than 15 calendar days and not more than 40 calendar days prior to the date fixed for such redemption, at the Redemption Price, plus a redemption premium, if any, determined solely by the Board of Directors and set forth in any applicable Specific Redemption Provisions at the time of the designation of such Dividend Period as set forth in Section 4 of these terms of the Tortoise Auction Preferred Shares; provided, however, that during a Dividend Period of more than one year no Tortoise Auction Preferred Shares will be subject to optional redemption except in accordance with any Specific Redemption Provisions approved by the Board of Directors after consultation with the Broker-Dealers at the time of the designation of such Dividend Period. Notwithstanding the foregoing, the Company shall not give a notice of or effect any redemption pursuant to this Section 3(a)(i) unless, on the date on which the Company intends to give such notice and on the date of redemption (1) the Company has available certain Deposit Securities with maturity or

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tender dates not later than the day preceding the applicable redemption date and having a value not less than the amount (including any applicable premium) due to Holders of Tortoise Auction Preferred Shares by reason of the redemption of such Tortoise Auction Preferred Shares on such date fixed for the redemption and (2) the Company would have Eligible Assets with an aggregate Discounted Value at least equal to the Tortoise Auction Preferred Shares Basic Maintenance Amount immediately subsequent to such redemption, if such redemption were to occur on such date.

(ii) If the Company fails to maintain, as of any Valuation Date, Eligible Assets with an aggregate Discounted Value at least equal to the Tortoise Auction Preferred Shares Basic Maintenance Amount or, as of the last Business Day of any month, the 1940 Act Tortoise Auction Preferred Shares Asset Coverage, and such failure is not cured within ten Business Days following such Valuation Date in the case of a failure to maintain the Tortoise Auction Preferred Shares Basic Maintenance Amount or on the last Business Day of the following month in the case of a failure to maintain the 1940 Act Tortoise Auction Preferred Shares Asset Coverage (each an Asset Coverage Cure Date), the Tortoise Auction Preferred Shares will be subject to mandatory redemption out of funds legally available therefor. The number of Tortoise Auction Preferred Shares to be redeemed in such circumstances will be equal to the lesser of (1) the minimum number of Tortoise Auction Preferred Shares the redemption of which, if deemed to have occurred immediately prior to the opening of business on the relevant Asset Coverage Cure Date, would result in the Company having Eligible Assets with an aggregate Discounted Value at least equal to the Tortoise Auction Preferred Shares Basic Maintenance Amount, or sufficient to satisfy the 1940 Act Tortoise Auction Preferred Shares Asset Coverage, as the case may be, in either case as of the relevant Asset Coverage Cure Date (provided that, if there is no such minimum number of Tortoise Auction Preferred Shares the redemption of which would have such result, all Tortoise Auction Preferred Shares then Outstanding will be redeemed), and (2) the maximum number of Tortoise Auction Preferred Shares that can be redeemed out of funds expected to be available therefor on the Mandatory Redemption Date at the Mandatory Redemption Price set forth in subparagraph (a)(iii) of this Section 3.

(iii) In determining the Tortoise Auction Preferred Shares required to be redeemed in accordance with the foregoing Section 3(a)(ii), the Company shall allocate the number of shares required to be redeemed to satisfy the Tortoise Auction Preferred Shares Basic Maintenance Amount or the 1940 Act Tortoise Auction Preferred Shares Asset Coverage, as the case may be, pro rata among the Holders of Tortoise Auction Preferred Shares in proportion to the number of shares they hold by lot or by such other method as the Company shall deem fair and equitable, subject to any mandatory redemption provisions, subject to the further provisions of this subparagraph (iii). The Company shall effect any required mandatory redemption pursuant to subparagraph (a)(ii) of this Section 3 no later than 40 calendar days after the Asset Coverage Cure Date (the Mandatory Redemption Date), except that if the Company does not have funds legally available for the redemption of, or is not otherwise legally permitted to redeem, the number of Tortoise Auction Preferred Shares which would be required to be redeemed by the Company under subparagraph (a)(ii) of this Section 3 if sufficient funds were available, together with shares of other Preferred Shares which are subject to mandatory redemption under provisions similar to those contained in this Section 3, or the Company otherwise is unable to effect such redemption on or prior to such Mandatory Redemption Date, the Company shall redeem those Tortoise Auction Preferred Shares, and shares of other Preferred Shares which it was unable to redeem, on the earliest practicable date on which the Company will have such funds available, upon notice pursuant to Section 3(b) to record owners of the Tortoise Auction Preferred Shares to be redeemed and the Paying Agent. The Company will deposit with the Paying Agent funds sufficient to redeem the specified number of Tortoise Auction Preferred

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Shares with respect to a redemption required under subparagraph (a)(ii) of this Section 3, by 12:00 p.m., New York City time, on the Mandatory Redemption Date. If fewer than all of the Outstanding Tortoise Auction Preferred Shares are to be redeemed pursuant to this Section 3(a)(iii), the number of shares to be redeemed shall be redeemed pro rata from the Holders of such shares in proportion to the number of such shares held by such Holders, by lot or by such other method as the Company shall deem fair and equitable, subject, however, to the terms of any applicable Specific Redemption Provisions. **Mandatory Redemption Price** means the Redemption Price plus (in the case of a Dividend Period of one year or more only) a redemption premium, if any, determined by the Board of Directors after consultation with the Broker-Dealers and set forth in any applicable Specific Redemption Provisions.

(b) In the event of a redemption pursuant to Section 3(a), the Company will file a notice of its intention to redeem with the Commission so as to provide at least the minimum notice required under Rule 23c-2 under the 1940 Act or any successor provision. In addition, the Company shall deliver a notice of redemption to the Auction Agent (the **Notice of Redemption**) containing the information set forth below (1) in the case of an optional redemption pursuant to subparagraph (a)(i) above, one Business Day prior to the giving of notice to the Holders, and (2) in the case of a mandatory redemption pursuant to subparagraph (a)(ii) above, on or prior to the 30th day preceding the Mandatory Redemption Date. The Auction Agent will use its reasonable efforts to provide notice to each Holder of Tortoise Auction Preferred Shares called for redemption by electronic or other reasonable means not later than the close of business on the Business Day immediately following the day on which the Auction Agent determines the shares to be redeemed (or, during a Default Period with respect to such shares, not later than the close of business on the Business Day immediately following the day on which the Auction Agent receives Notice of Redemption from the Company). The Auction Agent shall confirm such notice in writing not later than the close of business on the third Business Day preceding the date fixed for redemption by providing the Notice of Redemption to each Holder of shares called for redemption, the Paying Agent (if different from the Auction Agent) and the Securities Depository. Notice of Redemption will be addressed to the registered owners of Tortoise Auction Preferred Shares at their addresses appearing on the share records of the Company. Such Notice of Redemption will set forth (1) the date fixed for redemption, (2) the number and identity of Tortoise Auction Preferred Shares to be redeemed, (3) the redemption price (specifying the amount of accumulated dividends to be included therein and the amount of the redemption premium, if any), (4) that dividends on the shares to be redeemed will cease to accumulate on such date fixed for redemption, and (5) the provision under which redemption shall be made. No defect in the Notice of Redemption or in the transmittal or mailing thereof will affect the validity of the redemption proceedings, except as required by applicable law. If fewer than all shares held by any Holder are to be redeemed, the Notice of Redemption mailed to such Holder shall also specify the number of shares to be redeemed from such Holder.

(c) Notwithstanding the provisions of paragraph (a) of this Section 3, but subject to Section 7(f), no Tortoise Auction Preferred Shares may be redeemed unless all dividends in arrears on the Outstanding Tortoise Auction Preferred Shares and all shares of capital stock of the Company ranking on a parity with the Tortoise Auction Preferred Shares with respect to payment of dividends or upon liquidation, have been or are being contemporaneously paid or set aside for payment; provided, however, that the foregoing shall not prevent the purchase or acquisition of all Outstanding Tortoise Auction Preferred Shares pursuant to the successful completion of an otherwise lawful purchase or exchange offer made on the same terms to, and accepted by, Holders of all Outstanding Tortoise Auction Preferred Shares.

(d) Upon the deposit of funds sufficient to redeem Tortoise Auction Preferred Shares with the Paying Agent on the date fixed for redemption and the giving of the Notice of Redemption to the Auction Agent under paragraph (b) of this Section 3, dividends on such shares shall cease to accumulate

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and such shares shall no longer be deemed to be Outstanding for any purpose (including, without limitation, for purposes of calculating whether the Company has maintained the requisite Tortoise Auction Preferred Shares Basic Maintenance Amount or the 1940 Act Tortoise Auction Preferred Shares Asset Coverage), and all rights of the Holder of the shares so called for redemption shall cease and terminate, except the right of such Holder to receive the redemption price specified herein, but without any interest or other additional amount. Such redemption price shall be paid by the Paying Agent to the nominee of the Securities Depository. Upon written request, the Company shall be entitled to receive from the Paying Agent, promptly after the date fixed for redemption, any cash deposited with the Paying Agent in excess of (1) the aggregate redemption price of the Tortoise Auction Preferred Shares called for redemption on such date and (2) such other amounts, if any, to which Holders of Tortoise Auction Preferred Shares called for redemption may be entitled. Any funds so deposited that are unclaimed at the end of two years from such redemption date shall, to the extent permitted by law, be paid to the Company upon its written request, after which time the Holders of Tortoise Auction Preferred Shares so called for redemption may look only to the Company for payment of the redemption price and all other amounts, if any, to which they may be entitled.

(e) To the extent that any redemption for which a Notice of Redemption has been given is not made by reason of the absence of legally available funds therefor, or is otherwise prohibited, such redemption shall be made as soon as practicable to the extent such funds become legally available or such redemption is no longer otherwise prohibited. Failure to redeem Tortoise Auction Preferred Shares shall be deemed to exist when the Company shall have failed, for any reason whatsoever, to deposit in trust with the Paying Agent the redemption price with respect to any shares for which such Notice of Redemption has been given in accordance with Section 2(c)(ii) hereof. Notwithstanding the fact that the Company may not have redeemed Tortoise Auction Preferred Shares for which a Notice of Redemption has been given, dividends may be declared and paid on Tortoise Auction Preferred Shares and shall include those Tortoise Auction Preferred Shares for which Notice of Redemption has been given but for which deposit of funds has not been made.

(f) All moneys paid to the Paying Agent for payment of the redemption price of Tortoise Auction Preferred Shares called for redemption shall be held in trust by the Paying Agent for the benefit of Holders of shares so to be redeemed.

(g) So long as any Tortoise Auction Preferred Shares are held of record by the nominee of the Securities Depository, the redemption price for such shares will be paid on the date fixed for redemption to the nominee of the Securities Depository for distribution to Agent Members for distribution to the persons for whom they are acting as agent.

(h) Except for the provisions described above, nothing contained in these terms of the Tortoise Auction Preferred Shares limits any right of the Company to purchase or otherwise acquire any Tortoise Auction Preferred Shares outside of an Auction at any price, whether higher or lower than the price that would be paid in connection with an optional or mandatory redemption, so long as, at the time of any such purchase, there is no arrearage in the payment of dividends on, or the mandatory or optional redemption price with respect to, any Tortoise Auction Preferred Shares for which Notice of Redemption has been given and the Company is in compliance with the 1940 Act Tortoise Auction Preferred Shares Asset Coverage and has Eligible Assets with an aggregate Discounted Value at least equal to the Tortoise Auction Preferred Shares Basic Maintenance Amount after giving effect to such purchase or acquisition on the date thereof. If fewer than all the Outstanding Tortoise Auction Preferred Shares are redeemed or otherwise acquired by the Company, the Company shall give notice of such transaction to the Auction Agent, in accordance with the procedures agreed upon by the Board of Directors.

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(i) In the case of any redemption pursuant to this Section 3, only whole Tortoise Auction Preferred Shares shall be redeemed, and in the event that any provision of the Charter would require redemption of a fractional share, the Auction Agent shall be authorized to round up so that only whole shares are redeemed.

(j) Notwithstanding anything herein to the contrary, including, without limitation, Sections 2(e) and 6(f) hereof, the Board of Directors may authorize, create or issue any class or series of shares of capital stock, including other series of Tortoise Auction Preferred Shares, ranking prior to or on a parity with the Tortoise Auction Preferred Shares with respect to the payment of dividends or the distribution of assets upon dissolution, liquidation or winding up of the affairs of the Company, to the extent permitted by the 1940 Act, as amended, if, upon issuance, the Company would meet the 1940 Act Tortoise Auction Preferred Shares Asset Coverage, the Tortoise Auction Preferred Shares Basic Maintenance Amount and the requirements of Section 11 of Part I hereof.

4. Designation of Dividend Period. (a) The initial Dividend Period for the Tortoise Auction Preferred Shares is as set forth under Designation above. The Company will designate the duration of subsequent Dividend Periods of Tortoise Auction Preferred Shares; provided, however, that no such designation is necessary for a Standard Dividend Period and, provided further, that any designation of a Special Dividend Period shall be effective only if (1) notice thereof shall have been given as provided herein, (2) any failure to pay in a timely manner to the Auction Agent the full amount of any dividend on, or the redemption price of, Tortoise Auction Preferred Shares shall have been cured as provided above, (3) Sufficient Clearing Bids shall have existed in an Auction held on the Auction Date immediately preceding the first day of such proposed Special Dividend Period, (4) if the Company shall have mailed a Notice of Redemption with respect to any shares, the redemption price with respect to such shares shall have been deposited with the Paying Agent, and (5) in the case of the designation of a Special Dividend Period, the Company has confirmed that as of the Auction Date next preceding the first day of such Special Dividend Period, it has Eligible Assets with an aggregate Discounted Value at least equal to the Tortoise Auction Preferred Shares Basic Maintenance Amount, and the Company has consulted with the Broker-Dealers and has provided notice of such designation and a Tortoise Auction Preferred Shares Basic Maintenance Report to Moody's (if Moody's is then rating the Tortoise Auction Preferred Shares), Fitch (if Fitch is then rating the Tortoise Auction Preferred Shares) and any Other Rating Agency which is then rating the Tortoise Auction Preferred Shares and so requires.

(b) If the Company proposes to designate any Special Dividend Period, not fewer than seven (or two Business Days in the event the duration of the Dividend Period prior to such Special Dividend Period is fewer than eight days) nor more than 30 Business Days prior to the first day of such Special Dividend Period, notice shall be (1) made by press release and (2) communicated by the Company by telephonic or other means to the Auction Agent and confirmed in writing promptly thereafter. Each such notice shall state (A) that the Company proposes to exercise its option to designate a succeeding Special Dividend Period, specifying the first and last days thereof and (B) that the Company will by 3:00 p.m., New York City time, on the second Business Day next preceding the first day of such Special Dividend Period, notify the Auction Agent, who will promptly notify the Broker-Dealers and the Existing Holders, of either (x) its determination, subject to certain conditions, to proceed with such Special Dividend Period, subject to the terms of any Specific Redemption Provisions, or (y) its determination not to proceed with such Special Dividend Period, in which latter event the succeeding Dividend Period shall be a Standard Dividend Period.

No later than 3:00 p.m., New York City time, on the second Business Day next preceding the first day of any proposed Special Dividend Period, the Company shall deliver to the Auction Agent, who will promptly deliver to the Broker-Dealers and Existing Holders, either:

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(i) a notice stating (A) that the Company has determined to designate the next succeeding Dividend Period as a Special Dividend Period, specifying the first and last days thereof and (B) the terms of any Specific Redemption Provisions; or

(ii) a notice stating that the Company has determined not to exercise its option to designate a Special Dividend Period.

If the Company fails to deliver either such notice with respect to any designation of any proposed Special Dividend Period to the Auction Agent or is unable to make the confirmation provided in clause (v) of paragraph (a) of this Section 4 by 3:00 p.m., New York City time, on the second Business Day next preceding the first day of such proposed Special Dividend Period, the Company shall be deemed to have delivered a notice to the Auction Agent with respect to such Dividend Period to the effect set forth in clause (ii) above, thereby resulting in a Standard Dividend Period.

5. **Restrictions on Transfer.** Tortoise Auction Preferred Shares may be transferred only (a) pursuant to an order placed in an Auction, (b) to or through a Broker-Dealer or (c) to the Company or any Affiliate. Notwithstanding the foregoing, a transfer other than pursuant to an Auction will not be effective unless the selling Existing Holder or the Agent Member of such Existing Holder, in the case of an Existing Holder whose shares are listed in its own name on the books of the Auction Agent, or the Broker-Dealer or Agent Member of such Broker-Dealer, in the case of a transfer between persons holding Tortoise Auction Preferred Shares through different Broker-Dealers, advises the Auction Agent of such transfer. The certificate representing the Tortoise Auction Preferred Shares issued to the Securities Depository will bear legends with respect to the restrictions described above and stop-transfer instructions will be issued to the Transfer Agent and/or Registrar.

6. **Voting Rights.** (a) Except for matters which do not require the vote of holders of Preferred Shares under the 1940 Act and except as otherwise provided in the Charter or Bylaws, herein or as otherwise required by applicable law, (1) each holder of Tortoise Auction Preferred Shares shall be entitled to one vote for each Tortoise Auction Preferred Share held on each matter submitted to a vote of stockholders of the Company, and (2) the holders of Outstanding Preferred Shares, including the Tortoise Auction Preferred Shares, and Common Shares shall vote together as a single class on all matters submitted to stockholders; provided, however, that the holders of Outstanding Preferred Shares, including the Tortoise Auction Preferred Shares, shall be entitled, as a class, to the exclusion of the holders of shares of all other classes of stock of the Company, to elect two Directors of the Company at all times. The identity and class (if the Board of Directors is then classified) of the nominees for such Directors may be fixed by the Board of Directors. Subject to paragraph (b) of this Section 6, the holders of outstanding Common Shares and Preferred Shares, including the Tortoise Auction Preferred Shares, voting together as a single class, shall elect the balance of the Directors.

(b) During any period in which any one or more of the conditions described below shall exist (such period being referred to herein as a Voting Period), the number of Directors constituting the Board of Directors shall automatically increase by the smallest number that, when added to the two Directors elected exclusively by the holders of Preferred Shares, including the Tortoise Auction Preferred Shares, would constitute a majority of the Board of Directors as so increased by such smallest number; and the holders of Preferred Shares, including the Tortoise Auction Preferred Shares, shall be entitled, voting as a class on a one-vote-per-share basis (to the exclusion of the holders of all other securities and classes of shares of the Company), to elect such smallest number of additional Directors, together with the two Directors that such holders are in any event entitled to elect. A Voting Period shall commence:

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(i) if at the close of business on any Dividend Payment Date accumulated dividends (whether or not earned or declared) on Preferred Shares equal to at least two full years' dividends shall be due and unpaid; or

(ii) if at any time holders of any Preferred Shares are entitled under the 1940 Act to elect a majority of the Directors of the Company.

Upon the termination of a Voting Period, the voting rights described in this paragraph (b) of Section 6 shall cease, subject always, however, to the revesting of such voting rights in the holders of Preferred Shares, including the Tortoise Auction Preferred Shares, upon the further occurrence of any of the events described in this paragraph (b) of Section 6.

(c) As soon as practicable after the accrual of any right of the holders of Preferred Shares, including the Tortoise Auction Preferred Shares, to elect additional Directors as described in paragraph (b) of this Section 6, the Company shall notify the Auction Agent, and the Auction Agent shall instruct the Directors to call a special meeting of such holders, and mail a notice of such special meeting to such holders, such meeting to be held not less than 10 nor more than 30 calendar days after the date of mailing of such notice. If the Company fails to send such notice to the Auction Agent or if a special meeting is not called, it may be called by any such holder on like notice. The record date for determining the holders entitled to notice of and to vote at such special meeting shall be the close of business on the fifth Business Day preceding the day on which such notice is mailed. At any such special meeting and at each meeting of holders of Preferred Shares, including the Tortoise Auction Preferred Shares, held during a Voting Period at which Directors are to be elected, such holders, voting together as a class (to the exclusion of the holders of all other securities and classes of capital stock of the Company), shall be entitled to elect the number of Directors prescribed in paragraph (b) of this Section 6 on a one-vote-per-share basis.

(d) The terms of office of all persons who are Directors of the Company at the time of a special meeting of holders of the Tortoise Auction Preferred Shares and holders of other Preferred Shares to elect Directors shall continue, notwithstanding the election at such meeting by the holders of the Tortoise Auction Preferred Shares and such holders of other Preferred Shares of the number of Directors that they are entitled to elect, and the persons so elected by such holders, together with the two incumbent Directors elected by such holders and the remaining incumbent Directors, shall constitute the duly elected Directors of the Company.

(e) Simultaneously with the termination of a Voting Period, the terms of office of the additional Directors elected by the holders of the Tortoise Auction Preferred Shares and holders of other Preferred Shares pursuant to paragraph (b) of this Section 6 shall terminate, the number of Directors constituting the Board of Directors shall decrease accordingly, the remaining Directors shall constitute the Directors of the Company and the voting rights of such holders to elect additional Directors pursuant to paragraph (b) of this Section 6 shall cease, subject to the provisions of the last sentence of paragraph (b) of this Section 6.

(f) So long as any of the shares of Preferred Shares, including the Tortoise Auction Preferred Shares, are Outstanding, the Company will not, without the affirmative vote of the holders of a majority of the outstanding Preferred Shares determined with reference to a majority of outstanding voting securities as that term is defined in Section 2(a)(42) of the 1940 Act (a 1940 Act Majority), voting as a separate class:

(i) amend, alter or repeal any of the preferences, rights or powers of such class of Preferred Shares so as to affect materially and adversely such preferences, rights or powers as defined in Section 6(h) below;

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(ii) create, authorize or issue shares of any class of capital stock ranking senior to or on a parity with the Preferred Shares with respect to the payment of dividends or the distribution of assets, or any securities convertible into, or warrants, options or similar rights to purchase, acquire or receive, such shares of capital stock ranking senior to or on a parity with the Preferred Shares or reclassify any authorized shares of capital stock of the Company into any shares ranking senior to or on a parity with the Preferred Shares (except that, notwithstanding the foregoing, but subject to the provisions of either Section 3(j) or 11, as applicable, the Board of Directors, without the vote or consent of the holders of the Preferred Shares, including the Tortoise Auction Preferred Shares, may from time to time authorize, create and classify, and the Company may from time to time issue, shares or series of Preferred Shares, including other series of Tortoise Auction Preferred Shares, ranking on a parity with the Tortoise Auction Preferred Shares with respect to the payment of dividends and the distribution of assets upon dissolution, liquidation or winding up of the affairs of the Company, and may authorize, reclassify and/or issue any additional Tortoise Auction Preferred Shares, including shares previously purchased or redeemed by the Company, subject to continuing compliance by the Company with 1940 Act Tortoise Auction Preferred Shares Asset Coverage and Tortoise Auction Preferred Shares Basic Maintenance Amount requirements);

(iii) institute any proceedings to be adjudicated bankrupt or insolvent, or consent to the institution of bankruptcy or insolvency proceedings against it, or file a petition seeking or consenting to reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, or consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or a substantial part of its property, or make any assignment for the benefit of creditors, or, except as may be required by applicable law, admit in writing its inability to pay its debts generally as they become due or take any corporate action in furtherance of any such action;

(iv) create, incur or suffer to exist, or agree to create, incur or suffer to exist, or consent to cause or permit in the future (upon the happening of a contingency or otherwise) the creation, incurrence or existence of any material lien, mortgage, pledge, charge, security interest, security agreement, conditional sale or trust receipt or other material encumbrance of any kind upon any of the Company's assets as a whole, except (A) liens the validity of which are being contested in good faith by appropriate proceedings, (B) liens for taxes that are not then due and payable or that can be paid thereafter without penalty, (C) liens, pledges, charges, security interests, security agreements or other encumbrances arising in connection with any indebtedness senior to the Tortoise Auction Preferred Shares or arising in connection with any futures contracts or options thereon, interest rate swap or cap transactions, forward rate transactions, put or call options, short sales of securities or other similar transactions; (D) liens, pledges, charges, security interests, security agreements or other encumbrances arising in connection with any indebtedness permitted under clause (v) below and (E) liens to secure payment for services rendered including, without limitation, services rendered by the Company's custodian and the Auction Agent; or

(v) create, authorize, issue, incur or suffer to exist any indebtedness for borrowed money or any direct or indirect guarantee of such indebtedness for borrowed money or any direct or indirect guarantee of such indebtedness, except the Company may borrow and issue senior securities as may be permitted by the Company's investment restrictions or as may be permitted by the 1940 Act; provided, however, that transfers of assets by the Company subject to an obligation to repurchase shall not be deemed to be indebtedness for purposes of this provision to the extent that after any such transaction the Company has Eligible Assets with an aggregate Discounted Value at least equal to the Tortoise Auction Preferred Shares Basic Maintenance Amount as of the immediately preceding Valuation Date.

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(g) The affirmative vote of the holders of a 1940 Act Majority of the Outstanding Preferred Shares, including the Tortoise Auction Preferred Shares, voting as a separate class, shall be required to approve any plan of reorganization (as such term is used in the 1940 Act) adversely affecting such shares or any action requiring a vote of security holders of the Company under Section 13(a) of the 1940 Act.

(h) The affirmative vote of the holders of a 1940 Act Majority of the Outstanding Preferred Shares, including the Tortoise Auction Preferred Shares, voting separately from any other series, shall be required with respect to any matter that materially and adversely affects the rights, preferences, or powers of that series in a manner different from that of other series of classes of the Company's shares of capital stock. For purposes of the foregoing, no matter shall be deemed to adversely affect any right, preference or power unless such matter (i) alters or abolishes any preferential right of such series; (ii) creates, alters or abolishes any right in respect of redemption of such series; or (iii) creates or alters (other than to abolish) any restriction on transfer applicable to such series. The vote of holders of any shares described in this Section 6(h) will in each case be in addition to a separate vote of the requisite percentage of Common Shares and/or Preferred Shares, if any, necessary to authorize the action in question.

(i) The rights of the Tortoise Auction Preferred Shares or the Holders thereof, including, without limitation, the interpretation or applicability of any or all covenants or other obligations of the Company contained herein or of the definitions of the terms contained herein, all such covenants, obligations and definitions having been adopted pursuant to Rating Agency Guidelines, may from time to time be modified, altered or repealed by the Board of Directors in its sole discretion, based on a determination by the Board of Directors that such action is necessary or appropriate in connection with obtaining or maintaining the rating of any Rating Agency with respect to the Tortoise Auction Preferred Shares or revising the Company's investment restrictions or policies consistent with guidelines of any Rating Agency, and any such modification, alteration or repeal will not be deemed to affect the preferences, rights or powers of Tortoise Auction Preferred Shares or the Holders thereof, provided that the Board of Directors receives written confirmation from each relevant Rating Agency (with such confirmation in no event being required to be obtained from a particular Rating Agency with respect to definitions or other provisions relevant only to and adopted in connection with another Rating Agency's rating of the Tortoise Auction Preferred Shares) that any such modification, alteration or repeal would not adversely affect the rating then assigned by such Rating Agency.

The terms of the Tortoise Auction Preferred Shares are subject to the Rating Agency Guidelines, as reflected in a written document and as amended from time to time by the respective Rating Agency, for so long as the Tortoise Auction Preferred Shares are then rated by the applicable Rating Agency. Such Rating Agency Guidelines may be amended by the respective Rating Agency without the vote, consent or approval of the Company, the Board of Directors and any holder of shares of Preferred Shares, including any series of Tortoise Auction Preferred Shares, or any other stockholder of the Company.

In addition, subject to compliance with applicable law, the Board of Directors may modify the definition of Maximum Rate to increase the percentage amount by which the Reference Rate is multiplied to determine the Maximum Rate shown therein without the vote or consent of the holders of the Preferred Shares, including the Tortoise Auction Preferred Shares, or any other stockholder of the Company, and without receiving any confirmation from any rating agency after consultation with the Broker-Dealers, provided that immediately following any such increase the Company would be in compliance with the Tortoise Auction Preferred Shares Basic Maintenance Amount.

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(j) Unless otherwise required by law, Holders of Tortoise Auction Preferred Shares shall not have any relative rights or preferences or other special rights other than those specifically set forth herein. The Holders of Tortoise Auction Preferred Shares shall have no rights to cumulative voting. If the Company fails to pay any dividends on the Tortoise Auction Preferred Shares, the exclusive remedy of the Holders shall be the right to vote for Directors pursuant to the provisions of this Section 6.

(k) The foregoing voting provisions will not apply with respect to the Tortoise Auction Preferred Shares if, at or prior to the time when a vote is required, such shares have been (i) redeemed or (ii) called for redemption and sufficient funds shall have been deposited in trust to effect such redemption.

7. **Liquidation Rights.** (a) Upon the dissolution, liquidation or winding up of the affairs of the Company, whether voluntary or involuntary, the Holders of Tortoise Auction Preferred Shares then outstanding, together with holders of shares of any class of shares ranking on a parity with the Tortoise Auction Preferred Shares upon dissolution, liquidation or winding up, shall be entitled to receive and to be paid out of the assets of the Company (or the proceeds thereof) available for distribution to its stockholders after satisfaction of claims of creditors of the Company an amount equal to the liquidation preference with respect to such shares. The liquidation preference for Tortoise Auction Preferred Shares shall be \$____ per share, plus an amount equal to all accumulated dividends thereon (whether or not earned or declared but without interest) to the date payment of such distribution is made in full or a sum sufficient for the payment thereof is set apart with the Paying Agent. No redemption premium shall be paid upon any liquidation even if such redemption premium would be paid upon optional or mandatory redemption of the relevant shares. In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or otherwise, is permitted under the MGCL, amounts that would be needed, if the Company were to be dissolved at the time of distribution, to satisfy the liquidation preference of the Tortoise Auction Preferred Shares will not be added to the Company's total liabilities.

(b) If, upon any liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, the assets of the Company available for distribution among the holders of all outstanding Preferred Shares, including the Tortoise Auction Preferred Shares, shall be insufficient to permit the payment in full to holders of the amounts to which they are entitled, then the available assets shall be distributed among the holders of all outstanding Preferred Shares, including the Tortoise Auction Preferred Shares, ratably in any distribution of assets according to the respective amounts which would be payable on all the shares if all amounts thereon were paid in full.

(c) Upon the dissolution, liquidation or winding up of the affairs of the Company, whether voluntary or involuntary, until payment in full is made to the holders of Tortoise Auction Preferred Shares of the liquidation distribution to which they are entitled, (1) no dividend or other distribution shall be made to the holders of Common Shares or any other class of shares of capital stock of the Company ranking junior to Tortoise Auction Preferred Shares upon dissolution, liquidation or winding up and (2) no purchase, redemption or other acquisition for any consideration by the Company shall be made in respect of the Common Shares or any other class of shares of capital stock of the Company ranking junior to Tortoise Auction Preferred Shares upon dissolution, liquidation or winding up.

(d) A consolidation, reorganization or merger of the Company with or into any other trust or company, or a sale, lease or exchange of all or substantially all of the assets of the Company in consideration for the issuance of equity securities of another trust or company shall not be deemed to be a liquidation, dissolution or winding up, whether voluntary or involuntary, for the purposes of this Section 7.

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(e) After the payment to the holders of Preferred Shares, including Tortoise Auction Preferred Shares, of the full preferential amounts provided for in this Section 7, the holders of Preferred Shares, including Tortoise Auction Preferred Shares, as such shall have no right or claim to any of the remaining assets of the Company.

(f) If the assets of the Company or proceeds thereof available for distribution to the Holders of Tortoise Auction Preferred Shares, upon any dissolution, liquidation or winding up of the affairs of the Company, whether voluntary or involuntary, shall be insufficient to pay in full all amounts to which such holders are entitled pursuant to paragraph (a) of this Section 7, no such distribution shall be made on account of any shares of any other class or series of Preferred Shares ranking on a parity with Tortoise Auction Preferred Shares unless proportionate distributive amounts shall be paid on account of the Tortoise Auction Preferred Shares, ratably, in proportion to the full distributable amounts to which holders of all such parity shares are entitled upon such dissolution, liquidation or winding up.

(g) Subject to the rights of the holders of shares of any series or class or classes of stock ranking on a parity with Tortoise Auction Preferred Shares with respect to the distribution of assets upon dissolution, liquidation or winding up of the affairs of the Company, after payment shall have been made in full to the holders of the Tortoise Auction Preferred Shares as provided in paragraph (a) of this Section 7, but not prior thereto, any other series or class or classes of stock ranking junior to Tortoise Auction Preferred Shares with respect to the distribution of assets upon dissolution, liquidation or winding up of the affairs of the Company shall, subject to any respective terms and provisions (if any) applying thereto, be entitled to receive any and all assets remaining to be paid or distributed, and the holders of the Tortoise Auction Preferred Shares shall not be entitled to share therein.

8. Auction Agent. For so long as any Tortoise Auction Preferred Shares are Outstanding, the Auction Agent, duly appointed by the Company to so act, shall be in each case a commercial bank, trust company or other financial institution independent of the Company and its Affiliates (which, however, may engage or have engaged in business transactions with the Company or its Affiliates) and at no time shall the Company or any of its Affiliates act as the Auction Agent in connection with the Auction Procedures. If the Auction Agent resigns or for any reason its appointment is terminated during any period that any Tortoise Auction Preferred Shares are outstanding, the Company shall use its best efforts promptly thereafter to appoint another qualified commercial bank, trust company or financial institution to act as the Auction Agent.

9. 1940 Act Tortoise Auction Preferred Shares Asset Coverage. The Company shall maintain, as of the last Business Day of each month in which any shares of the Tortoise Auction Preferred Shares are Outstanding, asset coverage with respect to the Tortoise Auction Preferred Shares which is equal to or greater than the 1940 Act Tortoise Auction Preferred Shares Asset Coverage; provided, however, that Section 3(a)(ii) shall be the sole remedy if the Company fails to do so.

10. Tortoise Auction Preferred Shares Basic Maintenance Amount. So long as the Tortoise Auction Preferred Shares are Outstanding and Moody's, Fitch or any Other Rating Agency which so requires is then rating the shares of the Tortoise Auction Preferred Shares, the Company shall maintain, as of each Valuation Date, Moody's Eligible Assets (if Moody's is then rating the Tortoise Auction Preferred Shares), Fitch Eligible Assets (if Fitch is then rating the Tortoise Auction Preferred Shares) and (if applicable) Other Rating Agency Eligible Assets having an aggregate Discounted Value equal to or greater than the Tortoise Auction Preferred Shares Basic Maintenance Amount; provided, however, that Section 3(a)(ii) shall be the sole remedy in the event the Company fails to do so.

11. Certain Other Restrictions. For so long as any Tortoise Auction Preferred Shares are Outstanding and any Rating Agency is then rating such shares, the Company will not, unless it has received written confirmation from each such rating agency that any such action would not impair the

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rating then assigned by such Rating Agency to such shares, engage in certain proscribed transactions set forth in the Rating Agency Guidelines.

12. Compliance Procedures for Asset Maintenance Tests. For so long as any Tortoise Auction Preferred Shares are Outstanding and Moody's, Fitch or any Other Rating Agency which so requires is then rating such shares, the Company shall deliver to each rating agency which is then rating Tortoise Auction Preferred Shares and any other party specified in the Rating Agency Guidelines all certificates that are set forth in the respective Rating Agency Guidelines regarding 1940 Act Tortoise Auction Preferred Shares Asset Coverage, Tortoise Auction Preferred Shares Basic Maintenance Amount and/or related calculations at such times and containing such information as set forth in the respective Rating Agency Guidelines.

13. Notice. All notices or communications hereunder, unless otherwise specified in these terms of the Tortoise Auction Preferred Shares, shall be sufficiently given if in writing and delivered in person, by telecopier, by electronic means or mailed by first-class mail, postage prepaid. Notices delivered pursuant to this Section 13 shall be deemed given on the earlier of the date received or the date five days after which such notice is mailed, except as otherwise provided in these terms of the Tortoise Auction Preferred Shares or by the MGCL for notices of Stockholders meetings.

14. Waiver. To the extent permitted by Maryland law, holders of a 1940 Act Majority of the Outstanding Preferred Shares, including the Tortoise Auction Preferred Shares, acting collectively or voting separately from any other series, may by affirmative vote waive any provision hereof intended for their respective benefit in accordance with such procedures as may from time to time be established by the Board of Directors.

15. Termination. If no Tortoise Auction Preferred Shares are outstanding, all rights and preferences of such shares established and designated hereunder shall cease and terminate, and all obligations of the Company under these terms of the Tortoise Auction Preferred Shares, shall terminate.

16. Facts Ascertainable Outside Charter. Subject to the provisions of these terms of the Tortoise Auction Preferred Shares, the Board of Directors may, by resolution duly adopted, without stockholder approval (except as otherwise provided by these terms of the Tortoise Auction Preferred Shares or required by applicable law), modify these terms of the Tortoise Auction Preferred Shares to reflect any modification hereto which the Board of Directors is entitled to adopt pursuant to the terms of Section 6(i) hereof or otherwise without stockholder approval. To the extent permitted by applicable law, the Board of Directors may interpret, modify or adjust the provisions of these terms of the Tortoise Auction Preferred Shares to resolve any inconsistency or ambiguity or to remedy any defect.

17. Definitions. As used in Part I and Part II of these terms of the Tortoise Auction Preferred Shares, the following terms shall have the following meanings (with terms defined in the singular having comparable meanings when used in the plural and vice versa), unless the context otherwise requires:

(a) AA Composite Commercial Paper Rate on any date means (i) the interest equivalent of the 30-day rate, in the case of a Dividend Period which is a Standard Dividend Period or shorter, or the 180-day rate, in the case of all other Dividend Periods, on commercial paper on behalf of issuers whose corporate bonds are rated AA by Standard & Poor's, or the equivalent of such rating by another nationally recognized rating agency, as announced by the Federal Reserve Bank of New York for the close of business on the Business Day immediately preceding such date; or (ii) if the Federal Reserve Bank of New York does not make available such a rate, then the arithmetic average of the interest equivalent of such rates on commercial paper placed on behalf of such issuers, as quoted on a discount basis or otherwise by the Commercial Paper Dealers to the Auction Agent for the close of business on the Business Day immediately preceding such date (rounded to the next highest .001 of 1%). If any

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Commercial Paper Dealer does not quote a rate required to determine the AA Composite Commercial Paper Rate, such rate shall be determined on the basis of the quotations (or quotation) furnished by the remaining Commercial Paper Dealers (or Dealer), if any, or, if there are no such Commercial Paper Dealers, by a nationally recognized dealer in commercial paper of such issuers then making such quotations selected by the Company. For purposes of this definition, (A) Commercial Paper Dealers shall mean (1) Citigroup Global Markets Inc., Lehman Brothers Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman Sachs & Co.; (2) in lieu of any thereof, its respective Affiliate or successor; and (3) if any of the foregoing shall cease to quote rates for commercial paper of issuers of the sort described above, in substitution therefor, a nationally recognized dealer in commercial paper of such issuers then making such quotations selected by the Company, and (B) interest equivalent of a rate stated on a discount basis for commercial paper of a given number of days maturity shall mean a number equal to the quotient (rounded upward to the next higher one-thousandth of 1%) of (1) such rate expressed as a decimal, divided by (2) the difference between (x) 1.00 and (y) a fraction, the numerator of which shall be the product of such rate expressed as a decimal, multiplied by the number of days in which such commercial paper shall mature and the denominator of which shall be 360.

(b) Affiliate or affiliate means any person controlled by, in control of or under common control with the Company; provided that no Broker-Dealer controlled by, in control of or under common control with the Company shall be deemed to be an Affiliate nor shall any corporation or any person controlled by, in control of or under common control with such corporation, one of the directors or executive officers of which also is a Director of the Company be deemed to be an Affiliate solely because such director or executive officer also is a Director of the Company.

(c) Agent Member means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

(d) All Hold Rate means 80% of the AA Composite Commercial Paper Rate.

(e) Applicable Percentage means the percentage associated with the lower of the credit ratings assigned to the Tortoise Auction Preferred Shares by Moody's or Fitch, as follows:

Moody's Credit Rating	Fitch Credit Rating	Applicable Percentage
Aa3 or above	AA- or above	200%
A3 to A1	A- to A+	250%
Baa3 to Baa1	BBB- to BBB+	275%
Below Baa3	Below BBB-	300%

(f) Applicable Rate means, with respect to the Tortoise Auction Preferred Shares for each Auction Period (i) if Sufficient Clearing Bids exist for the Auction in respect thereof, the Winning Bid Rate, (ii) if Sufficient Clearing Bids do not exist for the Auction in respect thereof, the Maximum Rate, (iii) in the case where all the Tortoise Auction Preferred Shares are the subject of Hold Orders for the Auction in respect thereof, the All Hold Rate, (iv) if a Default Period is occurring, the Default Rate, and (v) if an Auction is not held for any reason (including the circumstance where there is no Auction Agent or Broker-Dealer), the Maximum Rate.

(g) Asset Coverage Cure Date has the meaning set forth in Section 3(a)(ii).

(h) Auction means each periodic implementation of the Auction Procedures.

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(i) **Auction Agent** means The Bank of New York unless and until another commercial bank, trust company, or other financial institution appointed by a resolution of the Board of Directors enters into an agreement with the Company to follow the Auction Procedures for the purpose of determining the Applicable Rate.

(j) **Auction Agreement** means the agreement between the Auction Agent and the Company pursuant to which the Auction Agent agrees to follow the procedures specified in Part II of these terms of the Tortoise Auction Preferred Shares, as such agreement may from time to time be amended or supplemented.

(k) **Auction Date** means the first Business Day next preceding the first day of a Dividend Period.

(l) **Auction Desk** means the business unit of a Broker-Dealer that fulfills the responsibilities of the Broker-Dealer under a Broker-Dealer Agreement, including soliciting Bids for the Tortoise Auction Preferred Shares, and units of the Broker-Dealer which are not separated from such business unit by information controls appropriate to control, limit and monitor the inappropriate dissemination of information about Bids.

(m) **Auction Period** means with respect to the Tortoise Auction Preferred Shares, either a Standard Auction Period or a Special Auction Period, as applicable.

(n) **Auction Procedures** means the procedures for conducting Auctions set forth in Part II hereof.

(o) **Available Tortoise Auction Preferred Shares** means for each series of Tortoise Auction Preferred Shares on each Auction Date, the number of Outstanding Tortoise Auction Preferred Shares of the series that are not the subject of Submitted Hold Orders.

(p) **Beneficial Owner**, with respect to the Tortoise Auction Preferred Shares, means a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer (or, if applicable, the Auction Agent) as a holder of shares of the series.

(q) **Bid** shall have the meaning specified in paragraph (a) of Section 1 of Part II of these terms of the Tortoise Auction Preferred Shares.

(r) **Bidder** means each Beneficial Owner, Potential Beneficial Owner and Broker Dealer who places an Order.

(s) **Board of Directors** or **Board** means the Board of Directors of the Company or any duly authorized committee thereof as permitted by applicable law.

(t) **Broker-Dealer** means any broker-dealer or broker-dealers, or other entity permitted by law to perform the function required of a Broker-Dealer by the Auction Procedures, that has been selected by the Company and that is a party to a Broker-Dealer Agreement with the Auction Agent. The **Broker-Dealer** of record with respect to any Tortoise Auction Preferred Share is the Broker-Dealer which placed the Order for such Tortoise Auction Preferred Share or whom the Existing Holder of such Tortoise Auction Preferred Share has designated as its Broker-Dealer with respect to such Tortoise Auction Preferred Share, in each case as reflected in the records of the Auction Agent.

(u) **Broker-Dealer Agreement** means an agreement between the Auction Agent and a Broker-Dealer, pursuant to which the Broker-Dealer agrees to follow the Auction Procedures.

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(v) **Broker-Dealer Deadline** means, with respect to an Order, the internal deadline established by the Broker-Dealer through which the Order was placed after which it will not accept Orders or any change in any Order previously placed with such Broker-Dealer; provided, however, that nothing shall prevent the Broker-Dealer from correcting Clerical Errors by the Broker-Dealer with respect to Orders from Bidders after the Broker-Dealer Deadline pursuant to the provisions herein. Any Broker-Dealer may change the time or times of its Broker-Dealer Deadline as it relates to such Broker-Dealer by giving notice not less than two Business Days prior to the date such change is to take effect to Bidders who place Orders through such Broker-Dealer.

(w) **Business Day** means a day on which the New York Stock Exchange is open for trading and which is not a Saturday, Sunday or other day on which banks in the City of New York, New York are authorized or obligated by law to close, days on which the Federal Reserve Bank of New York is not open for business, days on which banking institutions or trust companies located in the state in which the operations of the Auction Agent are conducted are authorized or required to be closed by law, regulation or executive order of the state in which the Auction Agent conducts operations with respect to the Tortoise Auction Preferred Shares.

(x) **Clerical Error** means a clerical error in the processing of an Order, and includes, but is not limited to, the following: (i) a transmission error, including but not limited to, an Order sent to the wrong address or number, failure to transmit certain pages or illegible transmission, (ii) failure to transmit an Order received from one or more Existing Holders or Potential Beneficial Owners (including Orders from the Broker-Dealer which were not originated by the Auction Desk) prior to the Broker-Dealer Deadline or generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (iii) a typographical error. Determining whether an error is a Clerical Error is within the reasonable judgment of the Broker-Dealer, provided that the Broker-Dealer has a record of the correct Order that shows it was so received or so generated prior to the Broker-Dealer Deadline or the Submission Deadline, as applicable.

(y) **Commercial Paper Dealers** has the meaning set forth in the definition of **AA Composite Commercial Paper Rate**.

(z) **Commission** means the Securities and Exchange Commission.

(aa) **Common Shares** means the shares of common stock, par value \$.001 per share, of the Company.

(bb) **Default** has the meaning set forth in Section 2(c)(ii) of this Part I.

(cc) **Default Period** has the meaning set forth in Section 2(c)(ii) of this Part I.

(dd) **Default Rate** means the Reference Rate multiplied by three (3).

(ee) **Deposit Securities** means cash and any obligations or securities, including short-term money market instruments that are Eligible Assets, rated at least AAA, A-1 or SP-1 by Standard & Poor's, except that, for purposes of section 3(a)(i) of this Part I, such obligations or securities shall be considered **Deposit Securities** only if they are also rated at least P-2 by Moody's.

(ff) **Discount Factor** means the Fitch Discount Factor (if Fitch is then rating the Tortoise Auction Preferred Shares), the Moody's Discount Factor (if Moody's is then rating the Tortoise Auction Preferred Shares) or any Other Rating Agency Discount Factor (if any Other Rating Agency is then rating the Tortoise Auction Preferred Shares), whichever is applicable.

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(gg) Discounted Value has the meaning set forth in the Rating Agency Guidelines.

(hh) Dividend Default has the meaning set forth in Section 2(c)(ii) of this Part I.

(ii) Dividend Payment Date with respect to the Tortoise Auction Preferred Shares means any date on which dividends are payable pursuant to Section 2(b) of this Part I.

(jj) Dividend Period means, with respect to the Tortoise Auction Preferred Shares, the period commencing on the Original Issue Date thereof and ending on the date specified for such series on the Original Issue Date thereof and thereafter, as to such series, the period commencing on the day following each Dividend Period for such series and ending on the day established for such series by the Company.

(kk) Eligible Assets means Fitch's Eligible Assets or Moody's Eligible Assets (if Moody's or Fitch are then rating the Tortoise Auction Preferred Shares) and/or Other Rating Agency Eligible Assets (if any Other Rating Agency is then rating the Tortoise Auction Preferred Shares), whichever is applicable.

(ll) Error Correction Deadline means one hour after the Auction Agent completes the dissemination of the results of the Auction to Broker-Dealers without regard to the time of receipt of such results by any Broker-Dealer; provided, however, in no event shall the Error Correction Deadline extend past 4:00 p.m., New York City time unless the Auction Agent experiences technological failure or force majeure in disseminating the Auction results which causes a delay in dissemination past 3:00 p.m., New York City time.

(mm) Existing Holder, with respect to the Tortoise Auction Preferred Shares, shall mean a Broker-Dealer (or any such other Person as may be permitted by the Company) that is listed on the records of the Auction Agent as a holder of shares of such series.

(nn) Fitch means Fitch Ratings and its successors at law.

(oo) Fitch Discount Factor means the discount factors set forth in the Fitch Guidelines for use in calculating the Discounted Value of the Company's assets in connection with Fitch's ratings of Tortoise Auction Preferred Shares.

(pp) Fitch Eligible Assets means the assets of the Company set forth in the Fitch Guidelines as eligible for inclusion in calculating the Discounted Value of the Company's assets in connection with Fitch's ratings of Tortoise Auction Preferred Shares.

(qq) Fitch Guidelines mean the guidelines provided by Fitch, as may be amended from time to time, in connection with Fitch's ratings of Tortoise Auction Preferred Shares.

(rr) Hold Order shall have the meaning specified in paragraph (a) of Section 1 of Part II of these terms of the Tortoise Auction Preferred Shares or an Order deemed to have been submitted as provided in paragraph (c) of Section 1 of Part II of these terms of the Tortoise Auction Preferred Shares.

(ss) Holder means, with respect to Tortoise Auction Preferred Shares, the registered holder of Tortoise Auction Preferred Shares as the same appears on the share ledger or share records of the Company.

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(tt) LIBOR on any Auction Date, means (i) the rate for deposits in U.S. dollars for the designated Dividend Period, which appears on display page 3750 of Moneyline's Telerate Service (Telerate Page 3750) (or such other page as may replace that page on that service, or such other service as may be selected by Lehman Brothers Inc. or its successors) as of 11:00 a.m., London time, on the day that is the London Business Day on the Auction Date or, if the Auction Date is not a London Business Day, the London Business Day preceding the Auction Date (the LIBOR Determination Date), or (ii) if such rate does not appear on Telerate Page 3750 or such other page as may replace such Telerate Page 3750, (A) Lehman Brothers Inc. shall determine the arithmetic mean of the offered quotations of the reference banks to leading banks in the London interbank market for deposits in U.S. dollars for the designated Dividend Period in an amount determined by Lehman Brothers Inc. by reference to requests for quotations as of approximately 11:00 a.m. (London time) on such date made by Lehman Brothers Inc. to the reference banks, (B) if at least two of the reference banks provide such quotations, LIBOR shall equal such arithmetic mean of such quotations, (C) if only one or none of the reference banks provide such quotations, LIBOR shall be deemed to be the arithmetic mean of the offered quotations that leading banks in The City of New York selected by Lehman Brothers Inc. (after obtaining the Company's approval) are quoting on the relevant LIBOR Determination Date for deposits in U.S. dollars for the designated Dividend Period in an amount determined by Lehman Brothers Inc. (after obtaining the Company's approval) that is representative of a single transaction in such market at such time by reference to the principal London offices of leading banks in the London interbank market; provided, however, that if Lehman Brothers Inc. is not a Broker-Dealer or does not quote a rate required to determine the LIBOR, the LIBOR will be determined on the basis of the quotation or quotations furnished by any other Broker-Dealer selected by the Company to provide such rate or rates not being supplied by Lehman Brothers Inc.; provided further, that if Lehman Brothers Inc. and/or a substitute Broker-Dealer are required but unable to determine a rate in accordance with at least one of the procedures provided above, the LIBOR shall be the most recently determinable LIBOR. If the number of Dividend Period days shall be (i) 7 or more but fewer than 21 days, such rate shall be the seven-day LIBOR rate; (ii) more than 21 but fewer than 49 days, such rate shall be one-month LIBOR rate; (iii) 49 or more but fewer than 77 days, such rate shall be the two-month LIBOR rate; (iv) 77 or more but fewer than 112 days, such rate shall be the three-month LIBOR rate; (v) 112 or more but fewer than 140 days, such rate shall be the four-month LIBOR rate; (vi) 140 or more but fewer than 168 days, such rate shall be the five-month LIBOR rate; (vii) 168 or more but fewer than 189 days, such rate shall be the six-month LIBOR rate; (viii) 189 or more but fewer than 217 days, such rate shall be the seven-month LIBOR rate; (ix) 217 or more but fewer than 252 days, such rate shall be the eight-month LIBOR rate; (x) 252 or more but fewer than 287 days, such rate shall be the nine-month LIBOR rate; (xi) 287 or more but fewer than 315 days, such rate shall be the ten-month LIBOR rate; (xii) 315 or more but fewer than 343 days, such rate shall be the eleven-month LIBOR rate; and (xiii) 343 or more but fewer than 365 days, such rate shall be the twelve-month LIBOR rate.

(uu) London Business Day means any day on which commercial banks are generally open for business in London.

(vv) Mandatory Redemption Date has the meaning set forth in Section 3(a)(iii) of this Part I.

(ww) Mandatory Redemption Price has the meaning set forth in Section 3(a)(iii) of this Part I.

(xx) Market Value means the market value of an asset of the Company determined as follows: For equity securities, the value obtained from readily available market quotations. If an equity security is not traded on an exchange or not available from a Board-approved pricing service, the value obtained from written broker-dealer quotations. For fixed-income securities, the value obtained

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from readily available market quotations based on the last sale price of a security on the day the Company values its assets or the market value obtained from a pricing service or the value obtained from a direct written broker-dealer quotation from a dealer who has made a market in the security. Market Value for other securities will mean the value obtained pursuant to the Company's valuation procedures. If the market value of a security cannot be obtained, or the Company's investment adviser determines that the value of a security as so obtained does not represent the fair value of a security, fair value for that security shall be determined pursuant to the valuation procedures adopted by the Board of Directors.

(yy) Maximum Rate means, on any date on which the Applicable Rate is determined, the rate equal to the Applicable Percentage of the Reference Rate, subject to upward but not downward adjustment in the discretion of the Board of Directors after consultation with the Broker-Dealers, provided that immediately following any such increase the Company would be in compliance with the Tortoise Auction Preferred Shares Basic Maintenance Amount.

(zz) Minimum Rate means, on any Auction Date with respect to an Auction Period of 30 days or fewer, 70% of the AA Composite Commercial Paper Rate at the close of business on the Business Day next preceding such Auction Date. There shall be no Minimum Rate on any Auction Date with respect to an Auction Period of more than the Standard Auction Period.

(aaa) Moody's means Moody's Investors Service, Inc., a Delaware corporation, and its successors at law.

(bbb) Moody's Discount Factor means the discount factors set forth in the Moody's Guidelines as eligible for use in calculating the Discounted Value of the Company's assets in connection with Moody's ratings of Tortoise Auction Preferred Shares.

(ccc) Moody's Eligible Assets means assets of the Company set forth in the Moody's Guidelines as eligible for inclusion in calculating the Discounted Value of the Company's assets in connection with Moody's ratings of Tortoise Auction Preferred Shares.

(ddd) Moody's Guidelines mean the guidelines provided by Moody's, as may be amended from time to time, in connection with Moody's ratings of Tortoise Auction Preferred Shares.

(eee) 1940 Act means the Investment Company Act of 1940, as amended from time to time.

(fff) 1940 Act Majority has the meaning set forth in Section 6(f) of this Part I.

(ggg) 1940 Act Tortoise Auction Preferred Shares Asset Coverage means asset coverage, as determined in accordance with Section 18(h) of the 1940 Act, of at least 200% with respect to all outstanding senior securities of the Company which are stock, including all outstanding Tortoise Auction Preferred Shares (or such other asset coverage as may in the future be specified in or under the 1940 Act as the minimum asset coverage for senior securities which are stock of a closed-end investment company as a condition of declaring dividends on its common stock), determined on the basis of values calculated as of a time within 48 hours next preceding the time of such determination.

(hhh) Notice of Redemption means any notice with respect to the redemption of Tortoise Auction Preferred Shares pursuant to Section 3.

(iii) Order means a Hold Order, Bid or Sell Order.

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(jjj) Original Issue Date means, with respect to the Tortoise Auction Preferred Shares, Series _____, 200_____.

(kkk) Other Rating Agency means each rating agency, if any, other than Fitch or Moody's then providing a rating for the Tortoise Auction Preferred Shares pursuant to the request of the Company.

(lll) Other Rating Agency Discount Factor means the discount factors set forth in the Other Rating Agency Guidelines as eligible for use in calculating the Discounted Value of the Company's assets in connection with such Other Rating Agency's ratings of Tortoise Auction Preferred Shares.

(mmm) Other Rating Agency Eligible Assets means assets of the Company designated by any Other Rating Agency as eligible for inclusion in calculating the Discounted Value of the Company's assets in connection with such Other Rating Agency's rating of Tortoise Auction Preferred Shares.

(nnn) Other Rating Agency Guidelines means the guidelines provided by each Other Rating Agency, as may be amended from time to time, in connection with the Other Rating Agency's rating of Tortoise Auction Preferred Shares.

(ooo) Outstanding or outstanding means, as of any date, Tortoise Auction Preferred Shares theretofore issued by the Company except, without duplication, (i) any Tortoise Auction Preferred Shares theretofore canceled, redeemed or repurchased by the Company, or delivered to the Auction Agent for cancellation or with respect to which the Company has given notice of redemption and irrevocably deposited with the Paying Agent sufficient funds to redeem such Tortoise Auction Preferred Shares and (ii) any Tortoise Auction Preferred Shares represented by any certificate in lieu of which a new certificate has been executed and delivered by the Company. Notwithstanding the foregoing, (A) for purposes of voting rights (including the determination of the number of shares required to constitute a quorum), any of the Tortoise Auction Preferred Shares to which the Company or any Affiliate of the Company shall be the Existing Holder shall be disregarded and not deemed outstanding; (B) in connection with any Auction, any Tortoise Auction Preferred Shares as to which the Company or any person known to the Auction Agent to be an Affiliate of the Company shall be the Existing Holder thereof shall be disregarded and deemed not to be outstanding; and (C) for purposes of determining the Tortoise Auction Preferred Shares Basic Maintenance Amount, Tortoise Auction Preferred Shares held by the Company shall be disregarded and not deemed outstanding but shares held by any Affiliate of the Company shall be deemed outstanding.

(ppp) Paying Agent means The Bank of New York unless and until another entity appointed by a resolution of the Board of Directors enters into an agreement with the Company to serve as paying agent.

(qqq) Person or person means and includes an individual, a corporation, a partnership, a trust, a company, an unincorporated association, a joint venture or other entity or a government or any agency or political subdivision thereof.

(rrr) Potential Beneficial Owner, with respect to shares of a series of Tortoise Auction Preferred Shares, shall mean a customer of a Broker-Dealer that is not a Beneficial Owner of shares of such series but that wishes to purchase shares of such series, or that is a Beneficial Owner of shares of such series that wishes to purchase additional shares of such series; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Beneficial Owner.

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(sss) Potential Holder, with respect to shares of a series of Tortoise Auction Preferred Shares, shall mean a Broker-Dealer (or any such other person as may be permitted by the Company) that is not an Existing Holder of Tortoise Auction Preferred Shares of such series or that is an Existing Holder of Tortoise Auction Preferred Shares of such series that wishes to become the Existing Holder of additional Tortoise Auction Preferred Shares of such series; provided, however, that for purposes of conducting an Auction, the Auction Agent may consider a Broker-Dealer acting on behalf of its customer as a Potential Holder.

(ttt) Preferred Shares means the shares of preferred stock, par value \$.001 per share, including the Tortoise Auction Preferred Shares, of the Company from time to time.

(uuu) Rating Agency means each of Fitch (if Fitch is then rating Tortoise Auction Preferred Shares), Moody's (if Moody's is then rating Tortoise Auction Preferred Shares), and any Other Rating Agency.

(vvv) Rating Agency Guidelines mean Fitch Guidelines (if Fitch is then rating Tortoise Auction Preferred Shares), Moody's Guidelines (if Moody's is then rating Tortoise Auction Preferred Shares) and any Other Rating Agency Guidelines (if any Other Rating Agency is then rating Tortoise Auction Preferred Shares), whichever is applicable.

(www) Redemption Default has the meaning set forth in Section 2(c)(ii) of this Part I.

(xxx) Redemption Price has the meaning set forth in Section 3(a)(i) of this Part I.

(yyy) Reference Rate means, with respect to the determination of the Maximum Rate and Default Rate, the greater of (1) the applicable AA Composite Commercial Paper Rate (for a Dividend Period of fewer than 184 days) or the applicable Treasury Index Rate (for a Dividend Period of 184 days or more), or (2) the applicable LIBOR.

(zzz) Securities Act means the Securities Act of 1933, as amended from time to time.

(aaaa) Securities Depository means The Depository Trust Company and its successors and assigns or any successor securities depository selected by the Company that agrees to follow the procedures required to be followed by such securities depository in connection with the Tortoise Auction Preferred Shares.

(bbbb) Sell Order shall have the meaning specified in paragraph (a) of Section 1 of Part II of these terms of the Tortoise Auction Preferred Shares.

(cccc) Special Auction Period means an Auction Period that is not a Standard Auction Period.

(dddd) Special Dividend Period means a Dividend Period that is not a Standard Dividend Period.

(eeee) Specific Redemption Provisions means, with respect to any Special Dividend Period of more than one year, either, or any combination of (i) a period (a Non-Call Period) determined by the Board of Directors after consultation with the Broker-Dealers, during which the shares subject to such Special Dividend Period are not subject to redemption at the option of the Company pursuant to Section 3(a)(ii) and (ii) a period (a Premium Call Period), consisting of a number of whole years as determined by the Board of Directors after consultation with the Broker-Dealers, during each year of

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which the shares subject to such Special Dividend Period shall be redeemable at the Company's option pursuant to Section 3(a)(i) and/or in connection with any mandatory redemption pursuant to Section 3(a)(ii) at a price per share equal to \$25,000 plus accumulated but unpaid dividends plus a premium expressed as a percentage or percentages of \$25,000 or expressed as a formula using specified variables as determined by the Board of Directors after consultation with the Broker-Dealers.

(ffff) Standard Auction Period means an Auction Period of ___ days.

(gggg) Standard Dividend Period means a Dividend Period of ___ days.

(hhhh) Submission Deadline means 1:00 P.M., New York City time, on any Auction Date or such other time on such date as shall be specified by the Auction Agent from time to time pursuant to the Auction Agreement as the time by which the Broker-Dealers are required to submit Orders to the Auction Agent. Notwithstanding the foregoing, the Auction Agent will follow the Securities Industry and Financial Markets Association's Early Market Close Recommendations for shortened trading days for the bond markets (the SIFMA Recommendation) unless the Auction Agent is instructed otherwise in writing by the Company. In the event of a SIFMA Recommendation with respect to an Auction Date, the Submission Deadline will be 11:30 A.M., instead of 1:00 P.M., New York City time.

(iii) Submitted Bid shall have the meaning specified in paragraph (a) of Section 3 of Part II of these terms of the Tortoise Auction Preferred Shares.

(jjjj) Submitted Hold Order shall have the meaning specified in paragraph (a) of Section 3 of Part II of these terms of the Tortoise Auction Preferred Shares.

(kkkk) Submitted Order shall have the meaning specified in paragraph (a) of Section 3 of Part II of these terms of the Tortoise Auction Preferred Shares.

(lll) Submitted Sell Order shall have the meaning specified in paragraph (a) of Section 3 of Part II of these terms of the Tortoise Auction Preferred Shares.

(mmmm) Sufficient Clearing Bids means for each series of Tortoise Auction Preferred Shares, an Auction for which the number of outstanding Tortoise Auction Preferred Shares subject to Submitted Bids by Potential Beneficial Owners specifying one or more rates not higher than the Maximum Rate is not less than the number of outstanding Tortoise Auction Preferred Shares subject to Submitted Sell Orders and of Submitted Bids by Existing Holders specifying rates higher than the Maximum Rate.

(nnnn) Tortoise Notes shall mean the \$_____ in principal amount of the Company's currently outstanding Auction Rate Senior Notes Series A, B, C and D and any additional series of such notes which may be issued from time to time by the Company.

(oooo) Tortoise Auction Preferred Shares means Tortoise Auction Preferred Shares, liquidation preference \$25,000 per share.

(pppp) Tortoise Auction Preferred Shares Basic Maintenance Amount as of any Valuation Date has the meaning set forth in the Rating Agency Guidelines.

(qqqq) Treasury Index Rate means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities having the same number of 30-day periods to maturity as the length of the applicable Dividend Period, determined, to the extent necessary, by linear

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interpolation based upon the yield for such securities having the next shorter and next longer number of 30-day periods to maturity treating all Dividend Periods with a length greater than the longest maturity for such securities as having a length equal to such longest maturity, in all cases based upon data set forth in the most recent weekly statistical release published by the Board of Governors of the Federal Reserve System (currently in H.15(519)); provided, however, if the most recent such statistical release shall not have been published during the 15 days preceding the date of computation, the foregoing computations shall be based upon the average of comparable data as quoted to the Company by at least three recognized dealers in U.S. Government securities selected by the Company.

(rrrr) Valuation Date has the meaning set forth in the Rating Agency Guidelines.

(ssss) Winning Bid Rate means for the Tortoise Auction Preferred Shares of a series, the lowest rate specified in any Submitted Bid of the Tortoise Auction Preferred Shares, which if selected by the Auction Agent as the Applicable Rate would cause the number of Tortoise Auction Preferred Shares of such series that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the number of Available Tortoise Auction Preferred Shares.

18. Interpretation. References to sections, subsections, clauses, sub-clauses, paragraphs and subparagraphs are to such sections, subsections, clauses, sub-clauses, paragraphs and subparagraphs contained in this Part I or Part II hereof, as the case may be, unless specifically identified otherwise.

PART II: AUCTION PROCEDURES

1. Orders by Existing Holders and Potential Beneficial Owners. (a) Prior to the Broker-Dealer Deadline for each series of Tortoise Auction Preferred Shares on each Auction Date:

(i) each Existing Holder may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, one or more Orders as to:

(A) the number of Tortoise Auction Preferred Shares, if any, of the series held by the Existing Holder which the Existing Holder commits to continue to hold for the next succeeding Auction Period without regard to the Applicable Rate for such Auction Period;

(B) the number of Tortoise Auction Preferred Shares, if any, of the series held by the Existing Holder which the Existing Holder commits to continue to hold for the next succeeding Auction Period if the Applicable Rate for Tortoise Auction Preferred Shares for the next succeeding Auction Period is not less than the rate per annum specified in such Order (and if the Auction Rate is less than such specified rate, the effect of the Order shall be as set forth in paragraph (b)(i)(A) of this Section); and/or

(C) the number of Tortoise Auction Preferred Shares, if any, of the series held by the Existing Holder which the Existing Holder offers to sell on the first Business Day of the next succeeding Auction Period without regard to the Applicable Rate for Tortoise Auction Preferred Shares for the next succeeding Auction Period; and

(ii) each Potential Beneficial Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, an Order as to the number of outstanding Tortoise Auction Preferred Shares of a series which each such Potential Beneficial Owner offers to purchase if the Applicable Rate for the Tortoise

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Auction Preferred Shares of a series for the next succeeding Dividend Period is not less than the rate per annum then specified by such Potential Beneficial Owner.

For the purposes of the Auction Procedures, an Order containing the information referred to in clause (i)(A) of this paragraph (a) is referred to as a Hold Order, an Order containing the information referred to in clause (i)(B) or (ii) of this paragraph (a) is referred to as a Bid, and an Order containing the information referred to in clause (i)(C) of this paragraph (a) is referred to as a Sell Order. No Auction Desk of a Broker-Dealer shall accept as an Order a submission (whether received from an Existing Holder or a Potential Beneficial Owner or generated by the Broker-Dealer for its own account) which does not conform to the requirements of the Auction Procedures, including, but not limited to, submissions which are not in Authorized Denominations, specify a rate which contains more than three figures to the right of the decimal point or specify an amount greater than the number of outstanding Tortoise Auction Preferred Shares. No Auction Desk of a Broker-Dealer shall accept a Bid or Sell Order which is conditioned on being filled in whole or a Bid which does not specify a specific dividend rate.

(b) (i) A Bid by an Existing Holder shall constitute an offer to sell on the first Business Day of the next succeeding Auction Period:

(A) the number of outstanding Series ___ Tortoise Auction Preferred Shares specified in the Bid if the Applicable Rate for the next succeeding Auction Period shall be less than the rate specified in such Bid; or

(B) the number or a lesser number of outstanding Series ___ Tortoise Auction Preferred Shares to be determined as described in clause (v) of paragraph (a) of Section 5 of this Part II if the Applicable Rate for the next succeeding Auction Period shall be equal to such specified rate; or

(C) a lesser number of outstanding Series ___ Tortoise Auction Preferred Shares to be determined as described in clause (iv) of paragraph (b) of Section 5 of this Part II if the rate specified therein shall be higher than the Maximum Rate for _____ shares of the series and Sufficient Clearing Bids for shares of the series do not exist.

(ii) A Sell Order by an Existing Holder shall constitute an offer to sell:

(A) the number of outstanding Tortoise Auction Preferred Shares of the series specified in the Sell Order; or

(B) the number or a lesser number of outstanding Tortoise Auction Preferred Shares of the series as set forth in clause (iv) of paragraph (b) of Section 5 of this Part II if Sufficient Clearing Bids for Tortoise Auction Preferred Shares of the series do not exist;

(iii) A Bid by a Potential Holder of Tortoise Auction Preferred Shares shall constitute an offer to purchase:

(A) the number of outstanding Tortoise Auction Preferred Shares of the series specified in the Bid if the Applicable Rate for the next succeeding Auction Period shall be higher than the rate specified therein; or

(B) the number or a lesser number of outstanding Tortoise Auction Preferred Shares of the series as set forth in clause (vi) of paragraph (a) of Section 5 of

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this Part II if the Applicable Rate for the Tortoise Auction Preferred Shares determined on the Auction Date shall be equal to the rate specified therein.

(C) Anything herein to the contrary notwithstanding:

(1) if an Order or Orders covering all of the Tortoise Auction Preferred Shares of a particular series held by any Existing Holder is not submitted to the Broker-Dealer prior to the Broker-Dealer Deadline, such Broker-Dealer shall deem a Hold Order to have been submitted on behalf of the Existing Holder covering the number of outstanding Tortoise Auction Preferred Shares of the series held by the Existing Holder and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted to such Broker-Dealer prior to the Broker-Dealer Deadline covering the number of outstanding Tortoise Auction Preferred Shares of a particular series to be converted held by such Existing Holder, such Broker-Dealer shall deem a Sell Order to have been submitted on behalf of the Existing Holder covering the number of Tortoise Auction Preferred Shares to be converted held by the Existing Holder and not subject to Orders submitted to the Broker-Dealer;

(2) for purposes of any Auction, any Order by an Existing Holder or Potential Holder shall be revocable until the Broker-Dealer Deadline, and after the Broker-Dealer Deadline all such Orders shall be irrevocable except as provided in Section 2(e)(ii) and 2(f); and

(3) for purposes of any Auction, any Tortoise Auction Preferred Shares sold or purchased pursuant to clauses (i), (ii) or (iii) of paragraph (b) of this Section 1 shall be sold or purchased at a price equal to 100% of the liquidation preference thereof.

2. Submission of Orders by Broker-Dealers to Auction Agent. (a) Each Broker-Dealer shall submit to the Auction Agent in writing, or by such other electronic means, as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date for Tortoise Auction Preferred Shares of a series, all Orders with respect to Tortoise Auction Preferred shares of such series accepted by such Broker-Dealer in accordance with Section 1 above and specifying with respect to each Order or aggregation of Orders pursuant to paragraph (b) of this Section 2:

(i) the name of the Broker-Dealer;

(ii) the number of Bidders placing Orders if requested by the Auction Agent;

(iii) the aggregate number of Tortoise Auction Preferred Shares of the series, if any, that are the subject of the Order;

(iv) to the extent that the Bidder is an Existing Holder of Tortoise Auction Preferred Shares of the series:

(A) the number of Tortoise Auction Preferred Shares, if any, of the series subject to any Hold Order placed by the Existing Holder;

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(B) the number of Tortoise Auction Preferred Shares, if any, of the series subject to any Bid placed by the Existing Holder and the rate specified in the Bid; and

(C) the number of Tortoise Auction Preferred Shares, if any, of the series subject to any Sell Order placed by the Existing Holder; and

(v) to the extent the Bidder is a Potential Holder of Tortoise Auction Preferred Shares of the series, the rate specified in such Bid.

(b) If more than one Bid is submitted to a Broker-Dealer on behalf of any single Potential Beneficial Owner, the Broker-Dealer shall aggregate each Bid submitted on behalf of such Potential Beneficial Owner with the same rate and consider such Bids as a single Bid and shall consider each Bid submitted with a different rate a separate Bid with the rate and the number of Tortoise Auction Preferred Shares of the series specified therein.

A Broker-Dealer may aggregate the Orders of different Potential Beneficial Owners with those of other Potential Beneficial Owners on whose behalf the Broker-Dealer is submitting Orders and may aggregate the Orders of different Existing Holders with other Existing Holders on whose behalf the Broker-Dealer is submitting Orders; provided, however, Bids may only be aggregated if the dividend rates on the Bids are the same.

(c) None of the Company or the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Beneficial Owner, Potential Beneficial Owner, Existing Holder or Potential Holder.

(d) Nothing contained herein shall preclude a Broker-Dealer from placing an Order for some or all of the Tortoise Auction Preferred Shares of a series for its own account.

(e) Until the Submission Deadline, a Broker-Dealer may withdraw or modify any Order previously submitted to the Auction Agent (i) for any reason if the Order was generated by the Auction Desk of the Broker-Dealer for the account of the Broker-Dealer or (ii) to correct a Clerical Error on the part of the Broker-Dealer in the case of any other Order, including Orders from the Broker-Dealer which were not originated by the Auction Desk.

(f) After the Submission Deadline, and prior to the Error Correction Deadline, a Broker-Dealer may:

(i) submit to the Auction Agent an Order received from an Existing Holder, Potential Beneficial Owner or a Broker-Dealer which is not generated by the Auction Desk, in each case prior to the Broker-Dealer Deadline, or an Order generated by the Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline (provided that in each case the Broker-Dealer has a record of such Order and the time when such Order was received or generated) and not submitted to the Auction Agent prior to the Submission Deadline as a result of (A) an event of force majeure or a technological failure which made delivery prior to the Submission Deadline impossible or, under the conditions then prevailing, impracticable or (B) a clerical error on the part of the Broker-Dealer; or

(ii) modify or withdraw an Order received from an Existing Holder or a Potential Beneficial Owner or generated by the Broker-Dealer (whether generated by the Broker-Dealer's Auction Desk or elsewhere within the Broker-Dealer) for its own account and submitted to the Auction Agent prior to the Submission Deadline or pursuant to clause (i) above, if the

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Broker-Dealer determines that such Order contained a Clerical Error on the part of the Broker-Dealer.

In the event a Broker-Dealer makes a submission, modification or withdrawal pursuant to this Section 2(f) and the Auction Agent has already run the Auction, the Auction Agent shall rerun the Auction, taking into account such submission, modification or withdrawal. Each submission, modification or withdrawal of an Order submitted pursuant to this Section 2(f) by a Broker-Dealer after the Submission Deadline and prior to the Error Correction Deadline shall constitute a representation by the Broker-Dealer that (A) in the case of a newly submitted Order or portion thereof or revised Order, the failure to submit such Order prior to the Submission Deadline resulted from an event described in clause (i) above and such Order was received from an Existing Holder or Potential Beneficial Owner or is an Order received from the Broker-Dealer that was not originated by the Auction Desk, in each case, prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline or (B) in the case of a modified or withdrawn Order, such Order was received from an Existing Holder, a Potential Beneficial Owner or the Broker-Dealer which was not originated by the Auction Desk prior to the Broker-Dealer Deadline, or generated internally by such Broker-Dealer's Auction Desk for its own account prior to the Submission Deadline and such Order as submitted to the Auction Agent contained a Clerical Error on the part of the Broker-Dealer and that such Order has been modified or withdrawn solely to effect a correction of such Clerical Error, and in the case of either (A) or (B), as applicable, the Broker-Dealer has a record of such Order and the time when such Order was received or generated. The Auction Agent shall be entitled to rely conclusively (and shall have no liability for relying) on such representation for any and all purposes of the Auction Procedures.

(g) If after the Auction Agent announces the results of an Auction, a Broker-Dealer becomes aware that an error was made by the Auction Agent, the Broker-Dealer shall communicate such awareness to the Auction Agent prior to 5:00 p.m. New York City time on the Auction Date. If the Auction Agent determines there has been such an error (as a result of either a communication from a Broker-Dealer or its own discovery) prior to 3:00 p.m., New York City time on the first day of the Auction Period with respect to which such Auction was conducted, the Auction Agent shall correct the error and notify each Broker-Dealer that submitted Bids or held a position in the Tortoise Auction Preferred Shares subject to such Auction of the corrected results.

(h) Nothing contained herein shall preclude the Auction Agent from:

(i) advising a Broker-Dealer prior to the Submission Deadline that it has not received Sufficient Clearing Bids for Tortoise Auction Preferred Shares of the series, provided, however, that if the Auction Agent so advises any Broker-Dealer, it shall so advise all Broker-Dealers; or

(ii) verifying the Orders of a Broker-Dealer prior to the Submission Deadline, provided, however, that if the Auction Agent verifies the Orders of any Broker-Dealer, it shall verify the Orders of all Broker-Dealers requesting such verification.

3. Treatment of Orders by the Auction Agent. Anything herein to the contrary notwithstanding:

(a) If the Auction Agent receives an Order which does not conform to the requirements of the Auction Procedures, the Auction Agent may contact the Broker-Dealer submitting such Order until one hour after the Submission Deadline and inform such Broker-Dealer that it may resubmit such Order so that it conforms to the requirements of the Auction Procedures. Upon being so informed, such Broker-Dealer may correct and resubmit to the Auction Agent any such Order that, solely as a result of a Clerical Error on the part of such Broker-Dealer, did not conform to the requirements of

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the Auction Procedures when previously submitted to the Auction Agent. Any such resubmission by a Broker-Dealer shall constitute a representation by such Broker-Dealer that the failure of such Order to have so conformed was solely as a result of a Clerical Error on the part of such Broker-Dealer. If the Auction Agent has not received a corrected conforming Order within one hour and fifteen minutes of the Submission Deadline, the Auction Agent shall, if and to the extent applicable, adjust or apply such Order, as the case may be, in conformity with the provisions of subsections (b), (c) or (d) of this Section 3 and, if the Auction Agent is unable to so adjust or apply such Order, the Auction Agent shall reject such Order.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round the rate up to the next highest one thousandth of one percent (0.001%).

(c) If one or more Orders covering in the aggregate more than the number of outstanding Tortoise Auction Preferred Shares of a particular series are submitted by a Broker-Dealer to the Auction Agent, such Orders shall be considered valid in the following order of priority:

(i) all Hold Orders for Tortoise Auction Preferred Shares of a series shall be considered Hold Orders, but only up to and including in the aggregate the number of outstanding Tortoise Auction Preferred Shares of the series for which such Broker-Dealer is the Broker-Dealer of record;

(ii) (A) any Bid of a Broker-Dealer shall be considered valid as a Bid of an Existing Holder up to and including the excess of the number of outstanding Tortoise Auction Preferred Shares of such series for which such Broker-Dealer is the Broker-Dealer of record over the number of Tortoise Auction Preferred Shares of such series subject to any Hold Orders referred to in clause (i) above;

(B) subject to subclause (A), all Bids of a Broker-Dealer with the same rate shall be aggregated and considered a single Bid of an Existing Holder up to and including the excess of the number of outstanding Tortoise Auction Preferred Shares of the series for which such Broker-Dealer is the Broker Dealer of record over the number of Tortoise Auction Preferred Shares of such series for which the Broker-Dealer is the Broker-Dealer of record subject to any Hold Orders referred to in clause (i) above;

(C) subject to subclause (A), if more than one Bid with different rates is submitted by a Broker-Dealer, such Bids shall be considered Bids of an Existing Holder in the ascending order of their respective rates up to the amount of excess of the number of outstanding Tortoise Auction Preferred Shares of the series for which such Broker-Dealer is the Broker-Dealer of record over the number of Tortoise Auction Preferred Shares of such Series for which such Broker-Dealer is the Broker-Dealer of record subject to any Hold Orders referred to in clause (i) above;

(D) the number, if any, of outstanding Tortoise Auction Preferred Shares of the series subject to Bids not considered to be Bids for which the Broker-Dealer is the Broker-Dealer of record under this clause (ii) shall be treated as the subject of a Bid for Tortoise Auction Preferred Shares of the series by a Potential Beneficial Owner; and

(iii) all Sell Orders shall be considered Sell Orders, but only up to and including a number of Tortoise Auction Preferred Shares of such series equal to the excess of the number of outstanding Tortoise Auction Preferred Shares of such series for which such Broker-Dealer is the Broker-Dealer of record over the sum of the number of Tortoise Auction Preferred Shares of such series subject to Hold Orders referred to in clause (i) above and the number of

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Tortoise Auction Preferred Shares of such series considered to be subject to Bids for which such Broker-Dealer is the Broker-Dealer of record pursuant to clause (ii) above.

(d) If any Order is for other than an integral number of Tortoise Auction Preferred Shares, then the Auction Agent shall round the number down to the nearest number of whole Tortoise Auction Preferred Shares, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such number of Tortoise Auction Preferred Shares.

(e) If the Auction Agent has been notified by the Company that any portion of an Order by a Broker-Dealer relates to an Tortoise Auction Preferred Share that has been called for redemption on or prior to the Dividend Payment Date next succeeding such Auction, the Order shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted.

(f) No Tortoise Auction Preferred Share which the Auction Agent has been notified by the Company has been called for redemption on or prior to the Dividend Payment Date next succeeding such Auction shall be included in the calculation of Available Tortoise Auction Preferred Shares for such Auction.

(g) If an Order or Orders covering all of the Tortoise Auction Preferred Shares of a particular series is not submitted by a Broker-Dealer of record prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Broker-Dealer covering the number of Tortoise Auction Preferred Shares for which such Broker-Dealer is the Broker-Dealer of record and not subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to a longer Auction Period and Orders have not been submitted by such Broker-Dealer prior to the Submission Deadline covering the number of Tortoise Auction Preferred Shares of a particular series to be converted for which such Broker-Dealer is the Broker-Dealer of record, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Broker-Dealer covering the number of Tortoise Auction Preferred Shares to be converted for which such Broker-Dealer is the Broker-Dealer of record not subject to Orders submitted by such Broker-Dealer.

4. Determination of Applicable Rate. (a) If requested by a Broker-Dealer, not later than 10:30 a.m., New York City time (or such other time as may be agreed to by the Auction Agent and all Broker-Dealers), on each Auction Date for each series of Tortoise Auction Preferred Shares, the Auction Agent shall advise such Broker-Dealer of the All Hold Rate. Such advice, and confirmation, shall be made by telephone or other electronic means acceptable to the Auction Agent.

(b) Promptly after the Submission Deadline for the Tortoise Auction Preferred Shares of a series on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a Submitted Hold Order, a Submitted Bid or a Submitted Sell Order, as the case may be, and collectively as a Submitted Order) and shall determine (i) the Available Tortoise Auction Preferred Shares, (ii) whether there are Sufficient Clearing Bids, and (iii) the Applicable Rate.

(c) In the event the Auction Agent shall fail to calculate or, for any reason, fails to provide the Applicable Rate on the Auction Date, for any Auction Period (i) if the preceding Auction Period was a period of 35 days or less, (A) a new Auction Period shall be established for the same length of time as the preceding Auction Period, if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Applicable Rate for the new Auction Period shall be the percentage of the Index set forth in Section 4(f) below if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the

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Company, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Applicable Rate for the period as so extended shall be the same as the Applicable Rate for the Auction Period prior to the extension, and (ii) if the preceding Auction Period was a period of greater than 35 days, (A) a new Auction Period shall be established for a period that ends on the seventh day following the day that was the last day of the preceding Auction Period, (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) if the failure to make such calculation was because there was not at the time a duly appointed and acting Auction Agent or Broker-Dealer, and the Applicable Rate for the new Auction Period shall be the percentage of the Index set forth in Section 4(f) below if the Index is ascertainable on such date (by the Auction Agent, if there is at the time an Auction Agent, or the Company, if at the time there is no Auction Agent) or, (B) if the failure to make such calculation was for any other reason or if the Index is not ascertainable on such date, the prior Auction Period shall be extended to the seventh day following the day that would have been the last day of the preceding Auction Period (or if such seventh day is not followed by a Business Day then to the next succeeding day that is followed by a Business Day) and the Applicable Rate for the period as so extended shall be the same as the Applicable Rate for the Auction Period prior to the extension. In the event a new Auction Period is established as set forth in clause (ii) (A) above, an Auction shall be held on the last Business Day of the new Auction Period to determine an Applicable Rate for an Auction Period beginning on the Business Day immediately following the last day of the new Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no new Auction Period or Auction Periods subsequent to the last Auction Period for which a Winning Bid Rate had been determined. In the event an Auction Period is extended as set forth in clause (i) (B) or (ii) (B) above, an Auction shall be held on the last Business Day of the Auction Period as so extended to determine an Applicable Rate for an Auction Period beginning on the Business Day immediately following the last day of the extended Auction Period and ending on the date on which the Auction Period otherwise would have ended had there been no extension of the prior Auction Period.

Notwithstanding the foregoing, neither new nor extended Auction Periods shall total more than 35 days in the aggregate. If at the end of the 35 days the Auction Agent fails to calculate or provide the Applicable Rate, or there is not at the time a duly appointed and acting Auction Agent or Broker-Dealer, the Applicable Rate shall be the Maximum Rate.

(d) In the event of a failed conversion from an Auction Period to any other period or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Applicable Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be a seven-day Auction Period.

(e) If the Tortoise Auction Preferred Shares are no longer maintained in book-entry-only form by the Securities Depository, then the Auctions shall cease and the Applicable Rate shall be the Maximum Rate.

(f) The percentage of the Index in Section 4(c) is ___%.

(g) Promptly after the Auction Agent has made such determination, it shall advise the Company of the Applicable Rate for the next succeeding Dividend Period.

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5. Allocation of Shares. (a) In the event of Sufficient Clearing Bids for the Tortoise Auction Preferred Shares of a series subject to the further provisions of paragraphs (c) and (d) of this Section 5, Submitted Orders for shares of the series shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Holder shall be accepted, thus requiring each such Existing Holder to continue to hold the Tortoise Auction Preferred Shares that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Holder shall be accepted and the Submitted Bids of each Existing Holder specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each Existing Holder to sell the Tortoise Auction Preferred Shares that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Holder specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to continue to hold the Tortoise Auction Preferred Shares that are the subject of the Submitted Bid;

(iv) the Submitted Bid of each Potential Holder specifying any rate that is lower than the Winning Bid Rate for shares of the series shall be accepted, thus requiring each such Potential Holder to purchase the Tortoise Auction Preferred Shares that are the subject of the Submitted Bid;

(v) the Submitted Bid of each Existing Holder specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to continue to hold the Tortoise Auction Preferred Shares of the series that are the subject of the Submitted Bid, but only up to and including the number of Tortoise Auction Preferred Shares of such series obtained by multiplying (A) the aggregate number of Outstanding Tortoise Auction Preferred Shares which are not the subject of Submitted Hold Orders described in clause (i) of this paragraph (a) or of Submitted Bids described in clauses (iii) and (iv) of this paragraph (a) by (B) a fraction, the numerator of which shall be the principal amount of Outstanding Tortoise Auction Preferred Shares held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the aggregate number of Tortoise Auction Preferred Shares subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Holder to sell any excess amount of Tortoise Auction Preferred Shares;

(vi) the Submitted Bid of each Potential Holder specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Holder to purchase the Tortoise Auction Preferred Shares of the series that are the subject of such Submitted Bid, but only in an amount equal to the number of Tortoise Auction Preferred Shares of such series obtained by multiplying (A) the aggregate number of Outstanding Tortoise Auction Preferred Shares which are not the subject of Submitted Hold Orders described in clause (i) of this paragraph (a) or of Submitted Bids described in clauses (iii), (iv) or (v) of this paragraph (a) by (B) a fraction, the numerator of which shall be the Outstanding Tortoise Auction Preferred Shares subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate number of Tortoise Auction Preferred Shares subject to such Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Holder specifying any rate that is higher than the Winning Bid Rate shall be rejected.

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(b) In the event there are not Sufficient Clearing Bids for the Tortoise Auction Preferred Shares of a series, Submitted Orders for the Tortoise Auction Preferred Shares of the series shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Holder shall be accepted, thus requiring each such Existing Holder to continue to hold the Tortoise Auction Preferred Shares that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Holder specifying any rate that is not higher than the Maximum Rate shall be accepted, thus requiring each such Existing Holder to continue to hold the Tortoise Auction Preferred Shares that are the subject of such Submitted Bid;

(iii) the Submitted Bids specifying any rate that is not higher than the Maximum Rate for the Tortoise Auction Preferred Shares shall be accepted, thus requiring each such Potential Holder to purchase the Tortoise Auction Preferred Shares that are the subject of such Submitted Bid; and

(iv) the Submitted Sell Orders of each Existing Holder shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Holder specifying any rate that is higher than the Maximum Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the number of Tortoise Auction Preferred Shares of such series obtained by multiplying (A) the number of Tortoise Auction Preferred Shares subject to Submitted Bids described in clause (iii) of this paragraph (b) by (B) a fraction, the numerator of which shall be the Outstanding Tortoise Auction Preferred Shares held by such Existing Holder subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the aggregate number of Outstanding Tortoise Auction Preferred Shares subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Holder shall be required to continue to hold such excess amount of Tortoise Auction Preferred Shares; and

(v) the Submitted Bid of each Potential Holder specifying any rate that is higher than the Maximum Rate shall be rejected.

(c) If, as a result of the undertakings described in Section 5(a) or (b) above, any Existing Holder or Potential Holder would be required to purchase or sell an aggregate number of Tortoise Auction Preferred Shares that is not an integral multiple of \$25,000 on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the number of Tortoise Auction Preferred Shares to be purchased or sold by any Existing Holder or Potential Holder on such Auction Date so that the number of Tortoise Auction Preferred Shares purchased or sold by each Existing Holder or Potential Holder on such Auction Date shall be an integral multiple of \$25,000, even if such allocation results in one or more of such Existing Holder or Potential Holder not purchasing or selling any Tortoise Auction Preferred Shares on such Auction Date.

(d) If, as a result of the undertakings described in Section 5(a) above, any Potential Holder would be required to purchase less than \$25,000 or an integral multiple thereof of Tortoise Auction Preferred Shares on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate the Tortoise Auction Preferred Shares for purchase among Potential Holders so that the number of Tortoise Auction Preferred Shares purchased on such Auction Date by any Potential Holder shall be an integral multiple of \$25,000, even if such allocation results in

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one or more of such Potential Holders not purchasing the Tortoise Auction Preferred Shares on such Auction Date.

6. Notice of Applicable Rate. (a) On each Auction Date, the Auction Agent shall notify each Broker-Dealer that participated in the Auction held on such Auction Date by electronic means acceptable to the Auction Agent and the applicable Broker-Dealer of the following, with respect to the Tortoise Auction Preferred Shares of a series for which an Auction was held on such Auction Date:

(i) the Applicable Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Holder, whether such Bid or Sell Order was accepted or rejected and the number of Tortoise Auction Preferred Shares of a series, if any, to be sold by such Existing Holder;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Holder, whether such Bid was accepted or rejected and the number of Tortoise Auction Preferred Shares of a series, if any, to be purchased by such Potential Holder;

(v) if the aggregate number of Tortoise Auction Preferred Shares of a series to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate number of Tortoise Auction Preferred Shares of such series to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the number of Tortoise Auction Preferred Shares of such series to be (A) purchased from one or more Existing Holders on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Holders on whose behalf such Broker-Dealer submitted Bids;

(vi) the amount of dividends payable per share on each Dividend Payment Date with respect to such Auction Period; and

(vii) the immediately succeeding Auction Date.

(b) On each Auction Date, with respect to each series of Tortoise Auction Preferred Shares for which an Auction was held on such Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Holder or Potential Holder shall: (i) if requested by an Existing Holder or Potential Holder advise such Existing Holder or Potential Holder on whose behalf such Broker-Dealer submitted an Order as to (A) the Applicable Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date; (ii) instruct each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Holder's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the number of Tortoise Auction Preferred Shares of such series to be purchased pursuant to such Bid against receipt of such shares; and (iii) instruct each Existing Holder on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Holder's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the number of Tortoise Auction Preferred Shares of the series to be sold pursuant to such Bid or Sell Order against payment therefor.

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(c) The Auction Agent shall give notice of the Auction Rate to the Company by mutually acceptable electronic means and the Company shall promptly give notice of such Auction Rate to the Securities Depository.

7. Miscellaneous Provisions Regarding Auctions.

(a) If the Securities Depository notifies the Company that it is unwilling or unable to continue as registered owner of the Tortoise Auction Preferred Shares or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation and a successor to the Securities Depository is not appointed by the Company within 90 days after the Company receives notice or becomes aware of such condition, as the case may be, the Auctions shall cease and the Company shall execute and the Transfer Agent shall authenticate and deliver certificates representing the Tortoise Auction Preferred Shares. Such Tortoise Auction Preferred Shares shall be registered in such names and Authorized Denominations as the Securities Depository, pursuant to instructions from the Agent Members or otherwise, shall instruct the Company and the Transfer Agent.

(b) During an Auction Period, so long as the ownership of the Tortoise Auction Preferred Shares is maintained in book-entry form by the Securities Depository, an Existing Holder or a Beneficial Owner may sell, transfer or otherwise dispose of an Tortoise Auction Preferred Share only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Holder or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Tortoise Auction Preferred Shares from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the holder of such Tortoise Auction Preferred Shares to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this paragraph if such Broker-Dealer remains the Existing Holder of the Tortoise Auction Preferred Shares so sold, transferred or disposed of immediately after such sale, transfer or disposition.

8. Changes in Auction Period or Auction Date.

(a) *Changes in Auction Period.* (i) During any Auction Period, the Company, may, from time to time on the Dividend Payment Date immediately following the end of any Auction Period, change the length of the Auction Period with respect to all of the Tortoise Auction Preferred Shares of a series in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the rate of Tortoise Auction Preferred Shares of such series. The Company shall initiate the change in the length of the Auction Period by giving written notice to the Auction Agent, the Broker-Dealers and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least 10 Business Days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall be for a period of one day, seven-days, 28-days, 35-days, three months, six months and shall be for all of the shares of a series of Tortoise Auction Preferred Shares in an Auction Period.

(iii) The change in length of the Auction Period shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for such new Auction Period. For purposes of the Auction for such new Auction Period only, except to the extent any Existing Holder submits an Order with respect to such Tortoise Auction Preferred Shares of any series each Existing Holder shall be deemed to have submitted Sell Orders with respect to all of its Tortoise Auction Preferred Shares of such series if the change is to a longer Auction Period and a

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Hold Order if the change is to a shorter Auction Period. If there are not Sufficient Clearing Bids for the first Auction Period, the Auction Rate for the new Auction Period shall be the Maximum Rate, and the Auction Period shall be a seven-day Auction Period.

(b) *Changes in Auction Date.* During any Auction Period, the Auction Agent, at the direction of the Company, may specify an earlier or later Auction Date (but in no event more than five Business Days earlier or later) than the Auction Date that would otherwise be determined in accordance with the definition of Auction Date in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the rate of the shares of the series of Tortoise Auction Preferred Shares. The Auction Agent shall provide notice of the Company's direction to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Company and the Broker-Dealers with a copy to the Securities Depository. In the event the Auction Agent is instructed to specify an earlier or later Auction Date, the days of the week on which an Auction Period begins and ends and the Dividend Payment Dates shall be adjusted accordingly.

(c) *Changes Resulting from Unscheduled Holidays.* If, in the opinion of the Auction Agent and the Broker-Dealers, there is insufficient notice of an unscheduled holiday to allow the efficient implementation of the Auction Procedures set forth herein, the Auction Agent and the Broker-Dealers may, as they deem appropriate, and after providing notice to the Company, set a different Auction Date and adjust any Interest Payment Dates and Auction Periods affected by such unscheduled holiday. In the event there is not agreement among the Broker-Dealers, the Auction Agent shall set the different Auction Date and make such adjustments as directed by a majority of the Broker-Dealers (based on the number of shares for which a Broker-Dealer is listed as the Broker-Dealer in the Existing Holder registry maintained by the Auction Agent pursuant to Section 2.2 of the Auction Agreement), and, if there is not a majority so directing, the Auction Date shall be moved to the next succeeding Business Day following the scheduled Auction Date, and the Dividend Payment Date and the Auction Period shall be adjusted accordingly.

9. Index.

(a) If for any reason on any Auction Date the Index shall not be determined as provided in Part II of these terms of the Tortoise Auction Preferred Shares, the Index shall be the Index for the prior Business Day.

(b) The determination of the Index as provided in the Articles Supplementary and Part II of these terms of the Tortoise Auction Preferred Shares shall be conclusive and binding upon the Company, the Broker-Dealers, the Auction Agent and the holders of the Tortoise Auction Preferred Shares.

SECOND: The Series ___Tortoise Auction Preferred Shares have been classified and designated by the Board of Directors under the authority contained in the charter.

THIRD: These Articles Supplementary have been approved by the Board of Directors in the manner and by the vote required by law.

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FOURTH: The undersigned President of the Company acknowledges these Articles Supplementary to be the corporate act of the Company and, as to all matters or facts required to be verified under oath, the undersigned President acknowledges that, to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the Company has caused these Articles Supplementary to be signed in its name and on its behalf by its President and attested to by its Secretary on this ___day of _____, 200__.

ATTEST:

TORTOISE ENERGY INFRASTRUCTURE
CORPORATION

Name: Connie J. Savage

Name: David J. Schulte

Title: Secretary

Title: President
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**APPENDIX C RATING OF INVESTMENTS
MOODY S INVESTORS SERVICE, INC.**

Moody's long-term obligation ratings are opinions of the relative credit risk of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honored as promised. Such ratings reflect both the likelihood of default and any financial loss suffered in the event of default.

Aaa Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.

Aa Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A Obligations rated A are considered upper-medium grade and are subject to low credit risk.

Baa Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

Ba Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.

B Obligations rated B are considered speculative and are subject to high credit risk.

Caa Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.

Ca Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.

C Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal and interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

US Municipal and Tax-Exempt Ratings

Municipal ratings are based upon the analysis of four primary factors relating to municipal finance: economy, debt, finances, and administration/management strategies. Each of the factors is evaluated individually and for its effect on the other factors in the context of the municipality's ability to repay its debt.

Aaa Issuers or issues rated Aaa demonstrate the strongest creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Aa Issuers or issues rated Aa demonstrate very strong creditworthiness relative to other US municipal or tax-exempt issuers or issues.

A Issuers or issues rated A present above average creditworthiness relative to other US municipal or tax-exempt issuers or issues.

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Baa Issuers or issues rated Baa represent average creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Ba Issuers or issues rated Ba demonstrate below-average creditworthiness relative to other US municipal or tax-exempt issuers or issues.

B Issuers or issues rated B demonstrate weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Caa Issuers or issues rated Caa demonstrate very weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Ca Issuers or issues rated Ca demonstrate extremely weak creditworthiness relative to other US municipal or tax-exempt issuers or issues.

C Issuers or issues rated C demonstrate the weakest creditworthiness relative to other US municipal or tax-exempt issuers or issues.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating category from Aa through Caa. The modifier 1 indicates that the issuer or obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Description of Moody's Highest Ratings of State and Municipal Notes and Other Short-Term Loans

Moody's ratings for state and municipal notes and other short-term loans are designated Moody's Investment Grade (MIG) or, for variable or floating rate obligations, VMIG). Such ratings recognize the differences between short-term credit risk and long-term risk. Factors affecting the liquidity of the borrower and short-term cyclical elements are critical in short-term ratings. Symbols used will be as follows:

MIG-1 This designation denotes superior credit quality. Excellent protection is afforded by established cash flows, highly reliable liquidity support, or demonstrated broad-based access to the market for refinancing.

MIG-2 This designation denotes strong credit quality. Margins of protection are ample, although not as large as in the preceding group.

MIG-3 This designation denotes acceptable credit quality. Liquidity and cash-flow protection may be narrow, and market access for refinancing is likely to be less well-established.

SG This designation denotes speculative-grade credit quality. Debt instruments in this category may lack sufficient margins of protection. Demand features rated in this category may be supported by a liquidity provider that does not have an investment grade short-term rating or may lack the structural and/or legal protections necessary to ensure the timely payment of purchase price upon demand.

VMIG 1 This designation denotes superior credit quality. Excellent protection is afforded by the superior short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

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VMIG 2 This designation denotes strong credit quality. Good protection is afforded by the strong short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

VMIG 3 This designation denotes acceptable credit quality. Adequate protection is afforded by the satisfactory short-term credit strength of the liquidity provider and structural and legal protections that ensure the timely payment of purchase price upon demand.

Description of Moody's Short Term Ratings

Moody's short-term ratings are opinions of the ability of issuers to honor short-term financial obligations. Ratings may be assigned to issuers, short-term programs or to individual short-term debt instruments. Such obligations generally have an original maturity not exceeding thirteen months, unless explicitly noted.

- P-1 Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.
- P-2 Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.
- P-3 Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.
- NP Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

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Table of Contents**FITCH RATINGS**

A brief description of the applicable Fitch Ratings (Fitch) ratings symbols and meanings (as published by Fitch) follows:

Long-Term Credit Ratings**Investment Grade**

AAA Highest credit quality. AAA ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be affected adversely by foreseeable events.

AA Very high credit quality. AA ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A High credit quality. A ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

BBB Good credit quality. BBB ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category.

Speculative Grade

BB Speculative. BB ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.

B Highly speculative. B ratings indicate that significant credit risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.

CCC , CC , C High default risk. Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. A **CC** rating indicates that default of some kind appears probable. **C** ratings signal imminent default.

DDD , DD , And D Default The ratings of obligations in this category are based on their prospects for achieving partial or full recovery in a reorganization or liquidation of the obligor. While expected recovery values are highly speculative and cannot be estimated with any precision, the following serve as general guidelines. **DDD** obligations have the highest potential for recovery, around 90%-100% of outstanding amounts and accrued interest. **DD** indicates potential recoveries in the range of 50%-90%, and **D** the lowest recovery potential, i.e., below 50%. Entities rated in this category have defaulted on some or all of their obligations. Entities rated **DDD** have the highest prospect for resumption of performance or continued operation with or without a formal reorganization process. Entities rated **DD** and **D** are generally undergoing a formal reorganization or liquidation process; those rated **DD** are likely to satisfy a higher portion of their outstanding obligations, while entities rated **D** have a poor prospect for repaying all obligations.

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Short-Term Credit Ratings

A short-term rating has a time horizon of less than 12 months for most obligations, or up to three years for U.S. public finance securities, and thus places greater emphasis on the liquidity necessary to meet financial commitments in a timely manner.

F1 Highest credit quality. Indicates the strongest capacity for timely payment of financial commitments; may have an added + to denote any exceptionally strong credit feature.

F2 Good credit quality. A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.

F3 Fair credit quality. The capacity for timely payment of financial commitments is adequate; however, near-term adverse changes could result in a reduction to non-investment grade.

B Speculative. Minimal capacity for timely payment of financial commitments, plus vulnerability to near-term adverse changes in financial and economic conditions.

C High default risk. Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favorable business and economic environment.

D Default. Denotes actual or imminent payment default.

Notes to Long-term and Short-term ratings:

+ or - may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the AAA Long-term rating category, to categories below CCC, or to Short-term ratings other than F1.

NR indicates that Fitch Ratings does not rate the issuer or issue in question.

Withdrawn A rating is withdrawn when Fitch Ratings deems the amount of information available to be inadequate for rating purposes, or when an obligation matures, is called, or refinanced.

Rating Watch Ratings are placed on Rating Watch to notify investors that there is a reasonable probability of a rating change and the likely direction of such change. These are designated as Positive, indicating a potential upgrade, Negative, for a potential downgrade, or Evolving, if ratings may be raised, lowered or maintained. Rating Watch typically is resolved over a relatively short period.

A Rating Outlook indicates the direction a rating is likely to move over a one to two year period. Outlooks may be positive, stable, or negative. A positive or negative Rating Outlook does not imply a rating change is inevitable. Similarly, ratings for which outlooks are `stable` could be downgraded before an outlook moves to positive or negative if circumstances warrant such an action. Occasionally, Fitch Ratings may be unable to identify the fundamental trend. In these cases, the Rating Outlook may be described as evolving.

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STANDARD & POOR'S CORPORATION

A brief description of the applicable Standard & Poor's Corporation, a division of The McGraw-Hill Companies (Standard & Poor's or S&P), rating symbols and their meanings (as published by S&P) follows:

A Standard & Poor's issue credit rating is a current opinion of the creditworthiness of an obligor with respect to a specific financial obligation, a specific class of financial obligations, or a specific financial program (including ratings on medium term note programs and commercial paper programs). It takes into consideration the creditworthiness of guarantors, insurers, or other forms of credit enhancement on the obligation. The issue credit rating is not a recommendation to purchase, sell, or hold a financial obligation, inasmuch as it does not comment as to market price or suitability for a particular investor.

Issue credit ratings are based on current information furnished by the obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any credit rating and may, on occasion, rely on unaudited financial information. Credit ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Issue credit ratings can be either long-term or short-term. Short-term ratings are generally assigned to those obligations considered short-term in the relevant market. In the U.S., for example, that means obligations with an original maturity of no more than 365 days including commercial paper.

Short-term ratings are also used to indicate the creditworthiness of an obligor with respect to put features on long-term obligations. The result is a dual rating, in which the short-term ratings address the put feature, in addition to the usual long-term rating. Medium-term notes are assigned long-term ratings.

Long-Term Issue Credit Ratings

Issue credit ratings are based in varying degrees, on the following considerations:

1. Likelihood of payment capacity and willingness of the obligor to meet its financial commitment on an obligation in accordance with the terms of the obligation;
2. Nature of and provisions of the obligation; and
3. Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization, or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights. The issue ratings definitions are expressed in terms of default risk. As such, they pertain to senior obligations of an entity. Junior obligations are typically rated lower than senior obligations, to reflect the lower priority in bankruptcy, as noted above.

AAA An obligation rated AAA has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.

AA An obligation rated AA differs from the highest-rated obligations only in small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.

A An obligation rated A is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.

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BBB An obligation rated **BBB** exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

BB, B, CCC, CC, AND C Obligations rated **BB**, **B**, **CCC**, **CC**, and **C** are regarded as having significant speculative characteristics. **BB** indicates the least degree of speculation and **C** the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

BB An obligation rated **BB** is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

B An obligation rated **B** is more vulnerable to nonpayment than obligations rated **BB**, but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

CCC An obligation rated **CCC** is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

CC An obligation rated **CC** is currently highly vulnerable to nonpayment.

C The **C** rating may be used to cover a situation where a bankruptcy petition has been filed or similar action has been taken, but payments on this obligation are being continued.

D An obligation rated **D** is in payment default. The **D** rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The **D** rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

+/- Plus (+) or minus (-). The ratings from **AA** to **CCC** may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

c The **c** subscript is used to provide additional information to investors that the bank may terminate its obligation to purchase tendered bonds if the long-term credit rating of the issuer is below an investment-grade level and/or the issuer's bonds are deemed taxable.

P The letter **p** indicates that the rating is provisional. A provisional rating assumes the successful completion of the project financed by the debt being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful, timely completion of the project. This rating, however, while addressing credit quality subsequent to completion of the project, makes no comment on the likelihood of or the risk of default upon failure of such completion. The investor should exercise his own judgment with respect to such likelihood and risk.

* Continuance of the ratings is contingent upon Standard & Poor's receipt of an executed copy of the escrow agreement or closing documentation confirming investments and cash flows.

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The r highlights derivative, hybrid, and certain other obligations that Standard & Poor s believes may experience high volatility or high variability in expected returns as a result of noncredit risks. Examples of such obligations are securities with principal or interest return indexed to equities, commodities, or currencies; certain swaps and options; and interest-only and principal-only mortgage securities. The absence of an r symbol should not be taken as an indication that an obligation will exhibit no volatility or variability in total return.

N.R. Not rated.

Debt obligations of issuers outside the United States and its territories are rated on the same basis as domestic corporate and municipal issues. The ratings measure the creditworthiness of the obligor but do not take into account currency exchange and related uncertainties.

Bond Investment Quality Standards

Under present commercial bank regulations issued by the Comptroller of the Currency, bonds rated in the top four categories (AAA , AA , A , BBB , commonly known as investment-grade ratings) generally are regarded as eligible for bank investment. Also, the laws of various states governing legal investments impose certain rating or other standards for obligations eligible for investment by savings banks, trust companies, insurance companies, and fiduciaries in general.

Short-Term Issue Credit Ratings

Notes

Standard & Poor s note ratings reflects the liquidity factors and market access risks unique to notes. Notes due in three years or less will likely receive a note rating. Notes maturing beyond three years will most likely receive a long-term debt rating. The following criteria will be used in making that assessment:

Amortization schedule the larger the final maturity relative to other maturities, the more likely it will be treated as a note; and

Source of payment the more dependent the issue is on the market for its refinancing, the more likely it will be treated as a note.

Note rating symbols are as follows:

SP-1 Strong capacity to pay principal and interest. An issue determined to possess a very strong capacity to pay debt service is given a plus (+) designation.

SP-2 Satisfactory capacity to pay principal and interest, with some vulnerability to adverse financial and economic changes over the term of the notes.

SP-3 Speculative capacity to pay principal and interest.

A note rating is not a recommendation to purchase, sell, or hold a security inasmuch as it does not comment as to market price or suitability for a particular investor. The ratings are based on current information furnished to S&P by the issuer or obtained by S&P from other sources it considers reliable.

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S&P does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended, or withdrawn as a result of changes in or unavailability of such information or based on other circumstances.

Commercial Paper

An S&P commercial paper rating is a current assessment of the likelihood of timely payment of debt having an original maturity of no more than 365 days. Ratings are graded into several categories, ranging from A-1 for the highest quality obligations to D for the lowest. These categories are as follows:

A-1 A short-term obligation rated A-1 is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

A-2 A short-term obligation rated A-2 is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rating categories. However, the obligor's capacity to meet its financial commitment on the obligation is satisfactory.

A-3 A short-term obligation rated A-3 exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

B A short-term obligation rated B is regarded as having significant speculative characteristics. The obligor currently has the capacity to meet its financial commitment on the obligation; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

C A short-term obligation rated C is currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation.

D A short-term obligation rated D is in payment default. The D rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The D rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

A commercial rating is not a recommendation to purchase, sell, or hold a security inasmuch as it does not comment as to market price or suitability for a particular investor. The ratings are based on current information furnished to S&P by the issuer or obtained by S&P from other sources it considers reliable.

S&P does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. The ratings may be changed, suspended, or withdrawn as a result of changes in or unavailability of such information or based on other circumstances.

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Tortoise Energy Infrastructure Corporation

STATEMENT OF ADDITIONAL INFORMATION

February 12, 2008