

TRULITE INC
Form SB-2/A
January 30, 2007

**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM SB-2/A

**REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933**

TRULITE, INC.

(Exact name of registrant as specified in charter)

Delaware State or Other Jurisdiction of Incorporation	2810 Primary Standard Classification Code Number	20-1372858 IRS Employee I.D. Number
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**5 HOUSTON CENTER
1401 MCKINNEY STREET, SUITE 900
HOUSTON, TX 77010-4035
(713) 888-0660**

(Address and telephone number of principal executive offices)

**5 HOUSTON CENTER
1401 MCKINNEY STREET, SUITE 900
HOUSTON, TX 77010-4035
(713) 888-0660**

(Address and telephone number of principal place of business)

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(Name, address and telephone number of agent for service)

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. o

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Calculation of Registration Fee

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share (1)	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, par value \$.0001 per share	437,125(2) \$	2.50 \$	1,092,812.50 \$	116.93
Common Stock, par value \$.0001 per share	284,455(3) \$	2.50 \$	711,137.50 \$	76.09
Common Stock, par value \$.0001 per share	633,007(4) \$	2.50 \$	1,582,517.50 \$	169.33
Common Stock, par value \$.0001 per share	33,460(5) \$	2.50 \$	83,650.00 \$	8.95
Common Stock, par value \$.0001 per share	1,000,000(6) \$	2.50 \$	2,500,000.00 \$	267.50
Common Stock, par value \$.0001 per share	400,000(7) \$	2.50 \$	1,000,000.00 \$	107.00

All shares of common stock being registered hereunder are being offered by selling stockholders of Trulite, Inc.

(1) Offering price computed in accordance with Rule 457(o). The price of \$2.50 is a fixed price at which the selling stockholders identified herein may sell their shares until the Registrant's common stock is quoted on the OTC Bulletin Board, at which time the shares may be sold at prevailing market prices or privately negotiated prices.

(2) Represents shares of common stock, par value \$.0001 per share (the "Common Stock") purchased by accredited investors in a private placement offering conducted in April 2006 at a price of \$1.00 per share (the "Offering").

(3) Represents shares of Common Stock issued in connection with an acquisition.

(4) Represents shares of Common Stock converted from shares of preferred stock, par value \$.0001 per share issued in an acquisition or issued in private placements at an aggregate purchase price of \$1,250,000.

(5) Represents shares of Common Stock issued for services rendered to Trulite.

(6) Represents shares of Common Stock underlying warrants purchased in the Offering, which warrants are exercisable at a price of \$1.50 per share

(7) Represents shares of Common Stock underlying warrants received for services rendered to the Company, which warrants are exercisable at a price of \$3.00 per share.

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

Trulite, Inc.

2,788,047 shares of common stock

By means of this prospectus, certain stockholders are offering to sell up to 2,788,047 shares of common stock of Trulite, Inc. (“Trulite,” the “Registrant,” the “Company,” “we,” “us,” or “our”), par value \$.0001 per share (the “Common S that they own or that they may at a later date acquire upon the exercise of warrants.

Trulite will not receive any proceeds from the sale of the Common Stock by the stockholders whose shares are being registered. Trulite will pay the expenses of this offering. There is no underwriter, and proceeds to the selling stockholders are expected to be \$6,970,117.50 if all shares of Common Stock offered hereunder are sold.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

These securities are speculative and involve a high degree of risk. For a description of certain important factors that should be considered by prospective investors, see “Risk Factors” beginning on page 8 of this prospectus.

The securities being offered are not listed on any national securities exchange or the Nasdaq Stock Market .

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

The date of this prospectus is January 30, 2007

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and does not contain all of the information you should consider before investing in our Common Stock. While we have highlighted what we believe are the key aspects of our business and this offering, you should read the entire prospectus carefully, especially the risks of investing in our Common Stock discussed under “Risk Factors” beginning on page 8.

Trulite, Inc.

Trulite is an emerging technology company engaged in the development and production of portable and stationary products that produce hydrogen for the generation of electricity for the commercial and consumer markets. The Company has developed, tested, sold, and delivered its first hydrogen storage product - the HydroCell, an environmentally-friendly alternative to battery power. The Company has filed five patent applications for the HydroCell and the fuel cell products.

Trulite was incorporated in Delaware on July 15, 2004. Later that month, Trulite purchased all the membership interests of Trulite Technology, LC (“Trulite Technology”), a Utah limited liability company, and merged with Trulite Technology, whereby Trulite survived the merger.

In January 2002, members of Trulite Technology submitted a proposal in response to a Small Business Innovation Research (“SBIR”) solicitation from the Defense Threat Reduction Agency (“DTRA”) to research and develop a high energy density hydrogen source to ultimately power nuclear, chemical, and biological detection equipment in the field. The intended applications of the hydrogen fuel source were for use by the military as a source of portable power.

Trulite Technology was incorporated on May 20, 2002, upon receipt of notification from the DTRA that Trulite Technology would receive a six-month, \$100,000 Phase 1 SBIR award to develop a hydrogen fuel source (that is, a technology for producing hydrogen gas) that could convert hydrogen gas into electricity. All patent, software, and other technical rights in any products are retained by Trulite.

Work on the project commenced in August 2002, and in January 2003 Trulite Technology built and tested its first dry chemical hydride hydrogen fuel source. In January 2003 Trulite Technology submitted a proposal to the United States Air Force (“USAF”) for a very high energy density hydrogen source for larger fuel cell systems. Trulite Technology received notification from the USAF in May 2003 that it had been selected for another six-month, \$100,000 Phase 1 SBIR award. All patent, software, and other technical rights in any products are retained by Trulite.

In January 2004, Trulite Technology received an order from Jadoo Power Systems for two prototype chemical hydride cartridges. These were shipped in March 2004. Trulite Technology also received an order from the Naval Research Laboratory for four larger cartridges. These were shipped in July 2004. In October 2003, Trulite had been introduced to William Jackson Berger (a.k.a. “John Berger”) of Contango Capital Partners, LP (“CCP”) through Jadoo Power Systems. CCP became interested in Trulite Technology’s hydrogen source technology, and Trulite Technology concluded its first round of private funding with CCP in July 2004. Also in July 2004, Trulite Technology merged with, and transferred all of its interests to, the Company, a newly-formed Delaware corporation.

In August 2005, the Company demonstrated its first, complete, commercially packaged, integrated, hydrogen fuel cell power system. In September 2005, the Company introduced its Kitty Hawk system. The product consists of three technologies: one that generates hydrogen gas from powdered chemical compounds (the HydroCell, which is a technology with respect to which the Company has filed patents); one that transforms the hydrogen gas into electricity (the fuel cell stack); and one that controls the flow of hydrogen for the actual generation of electricity (the control technology, which is also a technology with respect to which the Company has filed patents). The Company believes the Kitty Hawk is the least expensive energy source on the market capable of producing 25 watts of power for several

hours (as an example, 25 watts of power is sufficient to power a DVD player for several hours while concurrently charging a cell phone). It was Trulite's integration of its patented technology (the HydroCell) with its patented control program and unpatented fuel cell stack that created an integrated hydrogen fuel cell power system called the Kitty Hawk.

In November 2005, the Company received its first orders for twenty-five Kitty Hawk systems. The units were manufactured in its Utah product development facility and were delivered to a selected target audience in February and March 2006. Also in November 2005, the Company received a \$25,000 contract from Protonex Technology ("Protonex") to develop three high energy density prototype HydroCells.

The Company has developed an enhanced version of the Kitty Hawk, the KH-3X. We are field testing the unit and plan on selling a small number of the units to obtain customer feedback to enhance the next version. The KH-3X has about twice the power output of the original Kitty Hawk product.

Trulite is currently developing the next version of the Kitty Hawk product series, the Kitty Hawk 4. Trulite's Kitty Hawk 4 system is a more robust and powerful Kitty Hawk system capable of generating over three times the power output of the current KH-3X unit. The Kitty Hawk 4 system is designed to be a 130 watt integrated power system able to generate electricity for up to 4 hours at full output. The Kitty Hawk 4 system is anticipated to be available for field testing by the end of the second quarter of 2007. We anticipate manufacturing approximately 50 units for sale to selected commercial customers for field testing. Field testing is anticipated to take 8 to 10 weeks. Upon completion of field testing of the Kitty Hawk 4 system by the end of the third quarter of 2007, we anticipate units will be available for sale and delivery into selected commercial and consumer markets. The expected research and development costs of the Kitty Hawk 4 units are expected to be approximately \$2,100,000 during 2007, including capital expenditures of approximately \$200,000. Funding for product development and manufacturing are expected to come from (i) bridge loans provided by Standard Renewable Energy Group, LLC ("SREG"), which owns NewPoint Energy Solutions, LP, a Texas Limited Partnership which beneficially owns 45.2% of the Company's Common Stock, and Contango Venture Capital Corporation, which beneficially owns 16.98% of the Company's Common Stock and (ii) investments in equity and debt made by external investors.

In January 2007, we hired a Chief Operating Officer. In 2007, we anticipate hiring a Vice President of Finance. The objectives of hiring additional senior management personnel will be to ensure the successful operations of the Company and to ensure the on-going product development of the Kitty Hawk integrated power system.

Trulite's strategy is to leverage its unique hydrogen source technology and fuel cell technology to develop fuel cell products to address end-user applications in three identified markets: Industrial Remote Monitoring, specifically, the pipeline and well head market for remote sensing and monitoring of operating conditions in oil and gas fields; Recreational Off-Site Usage; and Back-up Power Generation for home and commercial applications. The market segment for recreational off-site usage is focused on camping, including a very specific niche target of environmentally conscious campers.

Since inception, the Company has sought to develop alternatives to conventional portable and stationary energy technologies, such as gasoline and diesel generation units, for the commercial and consumer markets. Although the Company is not focused on the military market, the Company anticipates pursuing opportunities in this market through strategic relationships with companies such as Protonex, as well as measuring the risks and rewards to the Company for developing more specialized products for the military market.

The Company maintains its executive offices at 5 Houston Center, 1401 McKinney Street, Suite 900, Houston, Texas 77010-4035. Its telephone number is (713) 888-0660.

THE OFFERING

By means of this prospectus, certain stockholders of Trulite are offering to sell up to 2,788,047 shares of Common Stock that they own, or that they may acquire upon exercise of warrants. In this prospectus, we refer to these persons as a selling stockholder or the selling stockholders. As of December 31, 2006, we had 11,785,491 shares of Common Stock issued and outstanding. The number of outstanding shares does not give effect to shares that may be issued pursuant to the exercise and/or conversion of currently outstanding options or warrants.

Trulite will not receive any proceeds from the sale of the shares by means of this prospectus.

The purchase of the securities offered by this prospectus involves a high degree of risk. Risk factors include the lack of revenues, a history of loss, and the need for additional capital. See the "Risk Factors" section of this prospectus for additional risk factors.

SUMMARY FINANCIAL DATA

The financial data presented below should be read in conjunction with the more detailed financial statements and related notes included elsewhere in this prospectus, along with the section entitled "Management's Discussion and Analysis and Plan of Operations."

Income Statement Data:

	Year Ended December 31, 2005	Period From Inception (July 15, 2004) Through December 31, 2004	Three Months Ended September 30,		Nine Months Ended September 30,	
			2006	2005	2006	2005
Sales	\$ 16,667	\$ 1,750	\$ -	\$ -	\$ 8,333	\$ -
Gross profit	4,451	1,100	-	-	2,421	-
Operating expenses	(830,658)	(879,122)	(726,165)	(143,614)	(2,630,696)	(600,641)
Other income (expense)	255	-	(4,055)	2,777	(908)	3,239
Net loss	(825,952)	(878,022)	(730,220)	(140,837)	(2,629,183)	(597,402)

Balance Sheet Data:

	As of September 30, 2006	As of December, 31 2005
Current assets	159,266	304,109
Total assets	195,259	337,147
Current liabilities	607,802	44,821
Total liabilities	607,802	44,821
Working capital (deficit)	(448,536)	259,288
Stockholders' equity (deficit)	(412,543)	292,326

FORWARD-LOOKING STATEMENTS

Statements contained in this prospectus include “forward-looking statements,” which involve known and unknown risks, uncertainties, and other factors that could cause actual financial or operating results, performances, or achievements expressed or implied by such forward-looking statements not to occur or be under realized. These forward-looking statements generally are based on our best estimates of future results, performances, or achievements, current conditions and assumptions. Forward-looking statements may be identified by the use of forward-looking terminology such as “may,” “can,” “could,” “project,” “expect,” “believe,” “plan,” “predict,” “estimate,” “anticipate,” “intend,” “continue,” “should,” “aim,” “opportunity,” or similar terms, variations of those terms or the negative of those terms, or other variations of those terms or comparable words or expressions. These risks and uncertainties include, but are not limited to:

- general economic conditions in both foreign and domestic markets
- cyclical factors affecting our industry
- lack of growth in our industry
- our ability to comply with government regulations
- a failure to manage our business effectively and profitably
- our ability to sell both new and existing products and services at profitable yet competitive prices

You should carefully consider these risks, uncertainties, and other information, disclosures, and discussions that contain cautionary statements identifying important factors that could cause actual results to differ materially from those provided in the forward-looking statements. Trulite undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. The securities being offered are highly speculative and prospective investors should consider, among other things, the following factors related to our business, operations, and financial position.

RISK FACTORS

There are numerous and varied risks, known and unknown, that may prevent us from achieving our goals, including those described below. The risks described below are not the only ones we will face. Additional risks not presently known to us or that the Company currently deems immaterial may also impair our financial performance and business operations. If any of these risks actually occurs, our business, financial condition, or results of operations may be materially adversely affected. In such case, the trading price of our Common Stock could decline, and you may lose all or part of your investment. Before making any investment decision, you should also review and consider the other information set forth in this Prospectus and the exhibits thereto.

An investment in the Company is highly speculative in nature and involves an extremely high degree of risk. If any of the events, contingencies, circumstances, or conditions described in this risk factors section actually occurs, our business, financial condition, or results of operations could be seriously harmed.

Our business is difficult to evaluate because we are a development stage company.

The Company is a development stage company that was formed in July 2004 to further the research and development of fuel source and fuel cell systems. To date, we have manufactured and marketed only twenty-five Kitty Hawk integrated power systems to selected customers and manufactured about thirty KH-3X units. The Kitty Hawk products were delivered to a selected customer in February and March 2006. Accordingly, there is only a limited basis upon

which to evaluate our business and prospects. An investor in our Company should consider the challenges, expenses, and difficulties we will face as a development stage company seeking to develop and manufacture a new product in a relatively new market.

Our independent registered public accounting firm has expressed substantial doubt about our ability to continue as a going concern.

We received an audit report for the year ended December 31, 2005, from our independent registered accounting firm containing an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern. The Company has no significant operating history as of September 30, 2006, and since inception, the Company has not had significant revenues. Management raised additional equity and debt financing to fund operations and to provide additional working capital. However, there is no assurance that such financing will be in amounts sufficient to meet the Company's needs. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

We cannot guarantee that we will not again be required to restate our consolidated financial statements.

Since our inception, we have restated our consolidated financial statements on more than one occasion to correct errors in our financial statements. For example, our Quarterly Report on Form 10-QSB/A filed with the Commission on December 22, 2006, restated our financial statements at and for the period ended June 30, 2006, to make a correction to the valuation of our common stock for the purposes of accounting for stock-based compensation. We believe that we have developed processes and procedures that will ensure that our financial statements, including the financial statements contained in this prospectus, accurately reflect our financial position and results of operations. However, we cannot guarantee that in the future we will not again be required to restate our financial statements.

We expect to have a need for additional capital as we continue to execute our business plan.

To achieve and maintain competitiveness and continue our growth, we expect to raise substantial funds. Our forecast for the period for which our financial resources will be adequate to support our operations involves risks and uncertainties and actual results could be better or worse as a result of a number of factors. We anticipate the need to raise additional capital to develop, promote, and distribute our product. Such additional funding may be raised through public or private, equity or debt financings. Additional funding may not be available under favorable terms, if at all. If adequate funds are not available, we may be required to curtail operations significantly or to obtain funds on terms not as favorable as we would hope. Trulite hopes to raise an additional \$2.0 million to \$5.0 million in funding. It is anticipated that Trulite will need to raise these monies in 2007. These funds will be required for recruiting and hiring additional technical staff, for purchasing materials for the manufacture of KH-3X and Kitty Hawk 4 units, for labor costs associated with manufacturing, for marketing expenses, and for product development and enhancements to the Kitty Hawk product line.

Technological changes could force us to drastically alter our business plan.

The quest for alternate energy sources is being undertaken by numerous governments, corporations, universities, and other institutions and individuals throughout the world. Many of these participants have far greater experience and resources than Trulite and have been engaged in these activities for a longer period of time. In the event that commercially ready applications for alternative energy sources similar in nature to ours are introduced into the marketplace, we may be forced to alter our business plan. This can be expected to be costly and cause substantial delays in, or prevent us entirely from, realizing our objectives.

The Company must demonstrate value and reliability in order to gain consumer acceptance.

The cost of our fuel cell system is more than that of existing and competing energy providers. If we are unable to reduce our manufacturing and materials costs to produce products that are more cost-effective and reliable than those of our competitors, consumers may be unlikely to purchase our products. The price of our fuel cell system depends, in large part, on material and manufacturing costs. We cannot guarantee that we will be able to lower these costs without affecting the reliability and performance of our product.

The Company has limited experience manufacturing or selling fuel cells and fuel cell systems.

The Company has limited experience in producing, marketing, and selling any products or services on a commercial basis. To date, we have focused primarily on research and development and have only limited experience manufacturing fuel cells or fuel source systems on a large-volume, commercial basis. We believe that in order to make our products profitable we would have to produce our products through a high-volume automated process. We do not know whether or when we would be able to develop efficient, automated, low-cost manufacturing capabilities. Even if we are successful in developing such capabilities, we cannot ensure that we will do so in time to meet our product commercialization schedule or to satisfy the requirements of our customers, and stockholders.

We expect that some of our fuel source products will only be commercially viable as a component of other companies' products, and these companies may choose not to include our fuel source system in their products.

Certain of our fuel source products must be integrated into products manufactured by original equipment manufacturers ("OEMs"). We cannot guarantee that OEMs will manufacture these products. If they manufacture such products, no assurances can be given as to whether they will choose to incorporate our products or that such integration will be on financial and other business terms acceptable or profitable to us. In addition, any integration, design, marketing, manufacturing, or other problems encountered by an OEM could adversely affect the market for our products, and we would have no ability to control the response to such problems.

We will need to rely on third parties for the proper execution of our business strategy.

Strategic relationships are critical to Trulite for research, product development, and volume manufacturing. Trulite will seek out strategic relationships for product design and development. As the Company enters into volume production, Trulite will seek out strategic relationships for manufacturing, distribution, and logistics.

Outsourcing is expected to happen in phases. First, Trulite will work with raw material and individual component manufacturing. The Company will control all the development, manufacturing, and quality internally for the initial small-volume ramp-up sufficient to meet a five fuel cell per month and 35 HydroCell (the hydrogen cartridge) per month rate. Our near term goal is for the manufacturing facilities to ramp up to meet a potential demand of 20 fuel cells per month and 200 HydroCells per month. At such time as demand reaches a run rate of 80 fuel cells per month and 800 HydroCells per month, we anticipate that manufacturing will transition from manual to automated processes. The second phase of outsourcing will begin once volume demand approaches 1,500 cartridges per month. This volume is expected to trigger the beginning of a shift to a final assembly and test facility in Houston, Texas.

The Company does not believe it should have difficulty obtaining contractors for any of this work or to supplement or replace existing contractors if any of those relationships were to be insufficient or terminate, or if the sales volume were such that the Company needed additional contractors to support the increases in sales volume. No assurance can be given that a suitable contractor can be found or that once found, it will consistently meet the Company's demands with regard to timing or quality. It is possible, however, that difficulties in supplementing or replacing current contractors could develop in the future because of factors that the Company cannot predict at this time, creating a potential material adverse effect on the Company. The availability of raw materials may have a material adverse effect on the Company's results of operations. Because the Company uses only the highest quality components, any restriction on the availability or use of such raw materials, whether as the result of a reduction in supply, natural disaster, or environmental restrictions, could have a material adverse effect on the business, financial condition, and results of operations of the Company.

Although the Company believes it has established a close relationship with its principal manufacturers and distributors, its future success may depend on its ability to maintain these relationships and establish new ones as the Company increases its sales volume and geographic customer base. If relationships with current manufacturers and distributors were to be interrupted for any reason, it may be difficult for the Company to locate other sources with similar or greater production and distribution capacity, which could have a material adverse effect on the Company's business, financial condition and results of operations. Furthermore, the establishment of new manufacturing and distribution relationships involves numerous uncertainties including costs, terms of payment, and timeliness of delivery, all of which may be unsatisfactory to the Company and could result in additional costs to the Company.

We may be unable to raise additional capital to pursue our commercialization strategy.

Our product development and commercialization schedule may be delayed if we are unable to properly fund the Company and execute our business plan. We do not know whether we will be able to secure additional funding or funding on terms that are acceptable to us.

If additional capital is raised through the issuance of stock, stockholders' ownership interest may be diluted.

One of the factors that generally affects the market price of publicly traded equity securities is the number of shares outstanding in relationship to assets, net worth, earnings or anticipated earnings. If a public market develops for the Company's shares, or if the Company determines to register for sale to the public those shares of Common Stock granted in any business combination, a material amount of dilution can be expected to cause the market price of our Common Stock to decline. Furthermore, the public perception of future dilution can have the same effect even if the actual dilution does not occur.

In order for us to obtain additional capital, we may find it necessary to issue securities conveying rights senior to those of the holders of Common Stock. Those rights may include voting rights, liquidation preferences, and conversion rights. To the extent we convey senior rights, the value of our Common Stock can be expected to decline.

If we incur indebtedness, we may become too highly leveraged and would be in risk of default.

There is no contractual or regulatory limit to the amount of debt we can take on, although we intend to follow a conservative debt policy. If our policy were to change or be eliminated due to unforeseen circumstances, we could become more highly leveraged, which could adversely affect our ability to meet our obligations, and we would then be in risk of default, which could have a material adverse effect on our financial condition, results of operations, business prospects, and long term future viability.

A large-scale consumer market for our products may never develop or take longer to develop than we anticipate.

A large-scale consumer market for our products may never develop or may develop more slowly than we anticipate. Fuel cell technology is an emerging market, and we are unsure whether there will ever be popular demand for such products. The development of a large-scale market may be affected by many factors, some of which are beyond our control, including:

- the competitive cost of fuel cell systems
- the emergence of newer and more competitive technology
- the future cost of raw materials
- regulatory requirements
- consumer perceptions regarding the safety of our product
- consumer reluctance to try new products and technologies

If a large-scale consumer market fails to develop or develops more slowly than we anticipate, we may be unable to recover losses incurred in the development of our products.

Changes in environmental policies could hurt the market for our products and deter potential investors.

Although many governments have made the development of alternative energy sources, fuel cells in particular, a priority, we cannot assure you that these governments will not change their environmental policies or that any change would not negatively affect our business. Research for alternative energy is influenced by government regulations and policies concerning energy research or conservation. Depending on the nature of the government regulations, it could be easier and more cost efficient, or more difficult and costly, to raise funds, conduct research, or manufacture, market, or sell our products in a given country. Government regulations may also impose more stringent requirements for the transport of the hydrogen fuel source, thereby increasing the costs of distribution.

Changes in governmental regulation could hurt the market for our products and negatively affect our ability to attract potential consumers.

The energy industry is influenced by state and federal regulations and policies. Any change in the present policies could affect additional investment in alternative forms of energy and decrease demand for our products.

Fuel cell technology may be subject to future governmental regulation, which could affect the market for our product. As our products are introduced to the market, we may be subject to additional laws and regulations. We do not know the extent to which this will affect our ability to distribute our products. In addition, any future regulation may increase our production costs and the cost of our final product.

We currently face and continue to face significant competition.

Our products, the HydroCell hydrogen generation system and the Kitty Hawk integrated power system, are expected to face significant competition. Many companies with substantially greater resources are developing similar hydride hydrogen generation technologies and are enhancing their fuel cell technologies. We cannot be sure that customers will use Trulite products in lieu of competitor's product offerings in the target markets we have identified. Further, the development of new technology may affect the popularity and profitability of our products or render our products obsolete.

We depend on our intellectual property, and our failure to protect that technology could adversely affect our future success.

We rely in part on our five patent applications to protect our intellectual property. Additionally, we make every effort to protect our knowledge of our processes and procedures. Failure to protect our existing intellectual property could cause the loss of our exclusivity or the right to use the technology we developed. If we do not adequately protect our intellectual property rights, we may have to pay others for the right to use their technology.

We could face litigation regarding the legitimacy of our patents, and we cannot ensure that we will be successful in such suits. These suits may result in the invalidation of our patent rights or the licensing of these rights to others.

We protect our proprietary intellectual property, including intellectual property that may not be patented, through the use of confidentiality agreements. We cannot assure you that these agreements will not be breached or that we will have an adequate remedy in the event that they are breached.

The Company may be unable to attract or retain key personnel, which would adversely affect our operations.

Our management team consists of several scientists, and we also employ engineers and researchers to help develop our products. Our future success depends on our ability to attract and retain a highly skilled workforce, consisting of scientists, engineers, researchers, and marketing professionals. We cannot assure you that we will be able to attract and retain such personnel. Our inability to do so could negatively impact our success.

On March 24, 2006, Dr. Kevin Shurtleff, the Company's founder, resigned as a member of the Company's Board of Directors and as an officer of the Company to pursue other interests and opportunities in areas not related to hydrogen fuel source and fuel cell technology. Dr. Shurtleff agreed to continue to work for the Company on a part-time basis for twenty hours per week to assist the Company in developing its control program technology and to transfer his knowledge of its hydrogen source technology.

We believe we have taken due care and diligence to capture all intellectual property developed by Dr. Shurtleff during his tenure with the Company, and have taken other measures to ensure that the Company's progress in the area of hydrogen fuel source development will not be impeded if Dr. Shurtleff leaves its employ. The Company is seeking to hire a chemist to provide expertise on fuel sources and control systems.

We believe the measures taken to ensure the capture of all intellectual property and the competencies of the current staff will not impact the continuation of product development of the hydrogen fuel source or compromise the Company's ability to continue product development in the hydrogen fuel source area in the future. However, there can be no assurances that we will not be impacted by Dr. Shurtleff's resignation as director and officer or his possible future departure from the Company.

There is currently no trading market for our Common Stock.

Outstanding shares of the Company's Common Stock cannot be offered, sold, pledged, or otherwise transferred unless subsequently registered pursuant to, or exempt from registration under, the Securities Act of 1933, as amended (the "Securities Act") and any other applicable federal or state securities laws or regulations. These restrictions will limit the ability of our stockholders to liquidate their investment.

Authorization of Preferred Stock

Our Certificate of Incorporation authorizes the issuance of up to 1,500,000 shares of preferred stock with designations, rights and preferences determined from time to time by our Board of Directors. Accordingly, our Board of Directors is empowered to issue, without stockholder approval, preferred stock with dividend, liquidation, conversion, voting, or other rights which could adversely affect the voting power or other rights of the holders of the Common Stock. As of December 31, 2005, there were 1,454,725 outstanding shares of Series A Preferred Stock. On May 2, 2006, all holders of these preferred shares converted them to shares of Common Stock. If additional shares of preferred stock are issued, such shares could affect the rights of holders of our Common Stock.

Forward-looking statements should not be relied on because they are inherently uncertain.

This registration statement contains forward-looking statements and information relating to us, our industry and to other businesses. These forward-looking statements are based on the beliefs of our management, as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "estimate," "project," "believe," "anticipate," "intend," "expect," and similar expressions are intended to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to risks and uncertainties that may cause our actual results to differ materially from those contemplated in our forward-looking statements. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus. We do not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date of this registration form or to reflect the occurrence of unanticipated events.

Penny Stock Regulations may impose certain restrictions on marketability of the Company's securities.

If the Common Stock begins trading following effectiveness of this registration statement, we will likely be subject to rules pertaining to "penny stocks." The Securities and Exchange Commission ("SEC") has adopted regulations which generally define a "penny stock" to be any equity security that has a market price (as defined) of less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. It is unlikely our shares will have a market price of or greater than \$5.00 per share. As a result, the Company's Common Stock will be subject to rules that impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established clients and "accredited investors." For transactions covered by these rules, the broker-dealer must make a

special suitability determination for the purchase of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a penny stock, unless exempt, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the SEC relating to the penny stock market. The broker-dealer must also disclose the commission payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Consequently, the "penny stock" rules may restrict the ability of broker-dealers to sell shares of the Company's Common Stock and may affect the ability of investors to sell such shares of Common Stock in the secondary market and the price at which such investors can sell any of such shares.

Investors should be aware that, according to the SEC, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include:

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- control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer
- manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases
- “boiler room” practices involving high pressure sales tactics and unrealistic price projections by inexperienced sales persons
- excessive and undisclosed bid-ask differentials and markups by selling broker-dealers
- the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired level, along with the inevitable collapse of those prices with consequent investor losses

The Company’s management is aware of the abuses that have occurred historically in the penny stock market.

USE OF PROCEEDS

Proceeds from this offering of Common Stock will inure directly to the selling stockholders. Trulite will not receive any proceeds from the sale of the Common Stock by the stockholders whose shares are being registered.

DETERMINATION OF OFFERING PRICE

The \$2.50 per share offering price of the Common Stock was arbitrarily chosen using the last sales price of our Common Stock from our most recent private offering of Common Stock. There is no relationship between this price and our assets, earnings, book value or any other objective criteria of value.

Trulite intends to apply to the NASD over-the-counter bulletin board for the quotation of the Common Stock upon becoming a reporting entity under the Securities Exchange Act of 1934 , as amended (the “Exchange Act”) . If the Common Stock becomes so traded and a market for the stock develops, the actual price of stock will be determined by prevailing market prices at the time of sale or by private transactions negotiated by the selling stockholders. The offering price would thus be determined by market factors and the independent decisions of the selling stockholders.

DILUTION

The Common Stock to be sold by the selling stockholders is Common Stock that is currently issued and outstanding. Accordingly, there will be no dilution to existing stockholders resulting from sales of the shares of Common Stock offered hereby.

SELLING STOCKHOLDERS

This prospectus relates to the sale of shares of Common Stock by certain stockholders of Trulite. The shares were issued for services rendered and in private offerings for cash.

Trulite will not receive any proceeds from the sale of the shares by the selling stockholders. Generally, purchasers of shares of Common Stock offered hereby may resell the shares they acquire by means of this prospectus from time to time in the public market. The costs of registering the shares offered hereby are being paid by Trulite. The following table identifies the selling stockholders and the shares that are being offered for sale by the selling stockholders.

Name	Shares Owned	Shares Issuable Upon the Exercise of Warrants	Shares to be sold in this Offering	Share Ownership After Offering - Number of Shares ⁽¹⁾	Share Ownership After Offering - % of Class ⁽²⁾
Blackman, Sherry	50,000 (3)	50,000 (3)	100,000	-	0.0%
		250,000			
Boru Enterprises, Inc. (4)	200,000(5)	(5)	450,000	-	0.0%
		200,000			
Forrester Financial, LLC (6)	200,000(3)	(3)	400,000	-	0.0%
Gagne, Kevin	10,000 (3)	10,000 (3)	20,000	-	0.0%
		150,000			
Jelco, LLC (7)	50,000(5)	(5)	200,000	-	0.0%
Kaiser, Amy	10,000(3)	10,000 (3)	20,000	-	0.0%
Keyser, Kelly	10,000 (3)	10,000 (3)	20,000	-	0.0%
Ligums, John	50,000 (3)	50,000 (3)	100,000	-	0.0%
Lovitz, Lawrence	25,000 (3)	25,000 (3)	50,000	-	0.0%
	1,120,745				
Nielson, Andrew	(8)	-	182,682	938,063	8.0%
Ragsdale, Jonathan	7,500 (3)	7,500 (3)	15,000	-	0.0%
Salvatore, Caroline	10,000 (3)	10,000 (3)	20,000	-	0.0%
	2,035,460				
Shurtleff, Kevin	(8)	-	101,773	1,933,687	16.4%
Sutter, Irene	10,000 (3)	10,000 (3)	20,000	-	0.0%
Weinstein, Frances	25,000 (3)	25,000 (3)	50,000	-	0.0%
		592,500			
Contango Capital Partners, LP (9)	0 (3)	(3)	592,500	-	0.0%
Abrahams, Raid	4,816 (10)	-	241	4,575	0.0%
Bendikson, Aaron	4,816 (10)	-	241	4,575	0.0%
Bor, Michael	9,631 (10)	-	482	9,149	0.1%
Burkart, Frazer	4,816 (10)	-	241	4,575	0.0%
Contango Capital Partnership Management LLC (11)	792 (10)	-	40	752	0.0%
Contango Venture Capital Corporation (12)	2,001,014 (10)	-	100,051	1,900,963	16.1%
Delph, Walter	4,816 (10)	-	241	4,575	0.0%
Fleiss, Eric	9,631 (10)	-	482	9,149	0.1%
Flores, William	500 (10)	-	25	475	0.0%

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Guido, Greg	2,408 (10)	-	120	2,288	0.0%
Harsley, Martyn	24,078 (10)	-	1,204	22,874	0.2%
Henry, Robert	240,779 (10)	-	12,039	228,740	1.9%
Herndon, Rogers	77,049 (10)	-	3,852	73,197	0.6%
Huge, Don	48,156 (10)	-	2,408	45,748	0.4%
Janke, David	4,816 (10)	-	241	4,575	0.0%
Mobius Risk Group LLC	76,350 (10)	-	3,818	72,532	0.6%
Smith, Paul	33,709 (10)	-	1,685	32,024	0.3%
Smith, Peter	37,171 (10)	-	1,859	35,312	0.3%
Stapleton, Walker	4,816 (10)	-	241	4,575	0.0%
NewPoint Energy Solutions, LP (13)	5,331,622 (13)	-	266,581	5,065,041	43.0%
Cathedral Prep Seminary (14)	10,000 (15)	-	10,000	-	0.0%
Larizza, Lou	10,000 (15)	-	10,000	-	0.0%
Rosarran, Inc.	10,000 (15)	-	10,000	-	0.0%
St. Theresa Catholic Church	10,000 (15)	-	10,000	-	0.0%
Wehner, William	10,000 (15)	-	10,000	-	0.0%
Total Shares	11,785,491	1,400,000	2,788,047	10,397,444	88.22%

(1) Includes shares of common stock issuable on exercise of options and warrants.

- (2) Calculated based on the number of shares of Common Stock held by the stockholder (excluding shares issuable on exercise of options and warrants) divided by the total number of outstanding shares of Common Stock (excluding shares issuable on exercise of outstanding options and warrants).
- (3) On April 13, 2006, pursuant to Rule 504 of Regulation D promulgated under the Securities Act, Trulite issued 1,000,000 shares of Common Stock and 1,000,000 warrants to purchase Common Stock, at an exercise price of \$1.50 per share, to 12 accredited investors for an aggregate purchase price of \$1,000,000.
- (4) The sole member of the Board of Directors of Boru Enterprises, Inc. (“Boru”) is John Moran. Mr. Moran exercises voting and investment power on behalf of Boru.
- (5) These securities were issued as compensation for services rendered to the Company.
- (6) The sole member of the Board of Directors of Forrester Financial, LLC (“Forrester Financial”) is Ted Karkus. Ted Karkus exercises voting and investment power on behalf of Forrester Financial.
- (7) Jelco, LLC (“Jelco”) is managed by John Ligums, who exercises voting and investment power on behalf of Jelco.
- (8) These securities were issued in connection with an acquisition. Mr. Nielson has granted to Eric Ladd an option to purchase up to 473,968 of these shares of Common Stock.
- (9) The general partner of Contango Capital Partners, LP (“CCP”) is Contango Capital Partnership Management LLC (“CCPM”). John Berger, Kenneth R. Peak, Todd Sullivan, Gerald Sullivan, Eric Melvin, and John D. White are the managers of CCPM and collectively exercise voting and investment power on behalf of CCP.
- (10) CCP distributed these shares of Common Stock to its limited partners for no consideration.
- (11) CCPM collectively is managed by John Berger, Kenneth R. Peak, Todd Sullivan, Gerald Sullivan, Eric Melvin, and John D. White, who together exercise voting and investment power on behalf of CCPM.
- (12) Contango Venture Capital Corporation is owned by Contango Oil & Gas Company. Kenneth R. Peak, Lesia Brehmer, Sergio Castro and Marc Duncan are the executive officers of Contango Oil & Gas Company. The Board of Directors of Contango Oil & Gas Company consists of Kenneth R. Peak, Jay D. Brehmer, Darrell W. Williams, Charles M. Reimer and Steven L. Schoonover.
- (13) Standard Renewable Energy Services, GP LLC is the General Partner of NewPoint Energy Solutions, LP. John Berger is the sole member and manager of Standard Renewable Energy Services GP, LLC and in that capacity has voting and dispositive power over these shares.
- (14) Cathedral Prep Seminary is a not for profit organization managed by John Moran. John Moran exercises voting and investment power on behalf of Cathedral Prep Seminary.
- (15) Boru distributed these shares of Common Stock, which were received as compensation for services to the Company, for no consideration.

PLAN OF DISTRIBUTION

The selling stockholders and any of their pledgees, assignees, and successors-in-interest may, from time to time, sell any or all of their shares of Common Stock on any stock exchange, market, or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling stockholders may use

any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- short sales;
- broker-dealers may agree with the selling stockholders to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act of 1933, if available, rather than under this prospectus. Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

The selling stockholders may from time to time pledge or grant a security interest in some or all of the shares of Common Stock owned by them and, if they default in the performance of their secured obligations, the pledgees or secured parties may offer and sell the shares of Common Stock from time to time under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

The selling stockholders may also transfer the shares of Common Stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

The selling stockholders and any broker-dealers or agents involved in selling the shares may be deemed to be “underwriters” within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. The selling stockholders have informed us they do not have any agreement or understanding, directly or indirectly, with any person to distribute the Common Stock.

The Company has advised the selling stockholders that in the event of a “distribution” of the shares owned by the selling stockholders, such selling stockholders, any “affiliated purchasers,” and any broker-dealer or other person who participates in such distribution may be subject to Rule 102 under the Exchange Act until their participation in that distribution is completed. Rule 102 makes it unlawful for any person who is participating in a distribution to bid for or purchase stock of the same class as is the subject of the distribution. A “distribution” is defined in Rule 102 as an offering of securities “that is distinguished from ordinary trading transactions by the magnitude of the offering and the presence of special selling efforts and selling methods.” Trulite has also advised the selling stockholders that Rule 101 under the Exchange Act prohibits any “stabilizing bid” or “stabilizing purchase” for the purpose of pegging, fixing, or stabilizing the price of the Common Stock in connection with this offering.

LEGAL PROCEEDINGS

Trulite is not a party to any legal proceedings nor is any of their property the subject of any proceeding, nor are they aware of any proceedings pending or of any actions that might give rise to any such proceedings.

MANAGEMENT

Directors and Executive Officers

Set forth below are the present directors and executive officers of the Company. Note that there are no other persons who have been nominated or chosen to become directors nor are there any other persons who have been chosen to become executive officers. There are no arrangements or understandings between any of the directors, officers and other persons pursuant to which such person was selected as a director or an officer. Directors are elected to serve until the next annual meeting of stockholders and until their successors have been elected and have qualified. Officers are appointed to serve until the meeting of the Board of Directors following the next annual meeting of stockholders and until their successors have been elected and qualified.

Name	Age	Position
Jonathan Godshall	58	President, Chief Executive Officer, and Director
John Berger	33	Chairman of the Board of Directors
Richard Hoesterey	64	Director
General Randolph House	61	Director
Eric Melvin	43	Director
John Sifonis	65	Director
John White	58	Director
Kenneth Pearson	52	Chief Operating Officer
Wade Stubblefield	40	Chief Financial Officer

Jonathan Godshall, President, Chief Executive Officer and Director

Jonathan Godshall joined the Company in June 2006 as a management consultant. On August 11, 2006 Mr. Godshall became the President and CEO of the Company. Effective October 31, 2006, Mr. Godshall was elected a director of the Company. Mr. Godshall has extensive management experience in a variety of industries. From 1986 until 2001, he was the President and CEO of Igloo Products Corp., a position he held for fifteen years. Igloo's primary product lines are ice chests and beverage coolers, and enjoy great brand recognition. During his tenure, Igloo's revenues tripled and the company introduced over 100 new products. Prior to joining Igloo, Jonathan was the Vice President and General Manager of Anderson Clayton Foods, where he was responsible for over \$325 million in sales and for manufacturing and operations in six food plants across the United States. From October 2002 until January 2004, he was the President and CEO of Home Fragrance Holdings, a candle company headquartered in Houston. Jonathan has experience in selling through most retail channels of distribution and through commercial and industrial channels as well. Mr. Godshall received an A.B. degree from the University of North Carolina in 1970, where he was a Morehead Scholar, and an MBA from the Harvard Business School in 1973. He has served on the Board of Directors of two privately held start-up companies and on the board of four privately held operating companies.

William Jackson Berger, Chairman of the Board of Directors.

William Jackson Berger (“John Berger”) has more than nine years of experience in the energy industry and has served as Chairman of the Board of Directors of Trulite since July 22, 2004. Mr. Berger is Chairman of the Board and Chief Executive Officer of SREG and Chief Executive Officer of Standard Renewable Energy, LP. Mr. Berger also serves as Chairman of the Board and Chief Executive Officer of Newpoint Energy Solutions, L.P. and Chairman of the Board of Directors of Galveston Bay Biodiesel, LP. During 1996-2001, Mr. Berger worked as a trader at Enron Corp., an energy trading entity. From January 2002 through December 2003, Mr. Berger was employed by the Federal Energy Regulatory Commission, advising on trading activities in the natural gas and power markets. In addition, he assisted the FERC with regard to how a commercial trading operation is set up with information services and models to predict power loads of utilities. He also helped analyze regulatory issues with distributed generation and interconnection into the power grid. Finally, he was able to show the FERC how to analyze the impact of credit quality of market participants on liquidity in the power and natural gas markets. He also served as an advisor to the drafters of the Standard Market Design regulatory document, which is currently being considered by the United States Congress. Mr. Berger graduated cum laude from Texas A&M University with a B.S. in civil engineering in 1996. In 2003, Mr. Berger graduated from Harvard Business School with an MBA.

John Sifonis, Director.

John Sifonis joined the Company as its President and Chief Executive Officer and as a director in October 2004. Mr. Sifonis resigned as President and Chief Executive Officer of the Company August 11, 2006, but remains a director of the Company. Prior to joining the Company, from July 1998 to October 2004 Mr. Sifonis was the Managing Director of the Internet Business Solutions Group at Cisco Systems, Inc. Prior to joining Cisco Systems, Inc., from December 1991 to July 1998, Mr. Sifonis was the Chief Executive Officer of SAI International, LLC. Prior to forming SAI International, from January 1976 to August 1989 Mr. Sifonis was a Senior Partner in the Management Consulting Group of Ernst & Young. While at Ernst & Young, Mr. Sifonis also served as the National Director of the Strategic Management Consulting Group. He received a Bachelor of Science Degree in Management Science from Case Institute of Technology in 1963 and has completed additional post graduate studies at Case Institute in Operations Research.

Richard K. Hoesterey, Director.

Richard (Dick) Hoesterey, a director of Trulite, is an experienced executive with over thirty-five years in general management and manufacturing operations management in a variety of industries including electronics, industrial goods, and power regulation. His management experience includes roles as officer and board member of private and public companies. Mr. Hoesterey joined Components Corporation of America (“CCA”) in 1997, and has served as CCA’s President and Chief Executive Officer since 2000. CCA operates as a holding company and currently has three wholly-owned subsidiary companies, which function as self-contained, stand-alone companies. These businesses are focused on design, manufacture and sale of electrical control technology components and subsystems for industrial, commercial, military, and government markets. Prior to becoming the CEO of Components Corporation, Mr. Hoesterey was a Senior Partner with Thomas Group, Inc. from 1990 to 1997. In this capacity, he was a Program Results Manager and Change Agent for several clients. From 1986 to 1990, Mr. Hoesterey was an Executive Vice President for EPI Technologies. In the capacity of Executive Vice President, he directed the growth and development of the Component Processing Division. He also directed the corporate level functions of Human Resources, Facilities and Sales. From 1984 to 1986, Mr. Hoesterey was a Director, Material Services with Compaq Telecommunications Corporation, a start-up company in the computer telephone industry. He was responsible for Purchasing, Production Planning & Control, and Material Services. From 1978 to 1986, Mr. Hoesterey was employed by Harris Corporation in a number of management positions including Director/Plant Manager, Equipment Refurbishment; Director, Manufacturing Systems Implementation; and, Director, Materials. From 1969 to 1976, Mr. Hoesterey worked for the Xerox Corporation in a number of management positions in the areas of operations, logistics, new product introductions, business improvement programs, and several MRP implementations. From 1966 to 1969, Mr. Hoesterey was a 1st Lieutenant in the U.S. Army. Mr. Hoesterey received a BBA in Industrial Management from Clarkson University in 1965 and has completed additional post graduate studies in business at Rochester Institute of Technology. He also has an APICS Certification in Production and Inventory management.

General Randolph House, Director.

General House, a Director of the Company, is a retired U.S. Army Lieutenant General. Prior to his retirement in 2003, General House served the Army for thirty-three years. Notably, General House was Deputy Commandant, US Army Command and General Staff College at Fort Leavenworth, Kansas. In 1996, General House was assigned to the Pentagon as Senior Military Assistant to the Secretary of Defense, Dr. William Perry. In 1997, General House was assigned as the Assistant Chief of Staff for Installation Management, Department of the Army. Later that year, he assumed command of the Eighth United States Army and Chief of Staff, United Nations Command/Combined Forces Command/United States Forces in Seoul, Korea. In 1998, General House received his second three star assignment as the Deputy Commander-in-Chief and Chief of Staff, United States Pacific Command. General House earned a Bachelor’s Degree in 1968 from Texas A&M University. He also received a Master’s Degree from Clemson University.

Eric Melvin, Director.

Eric Melvin, a director of Trulite, is the founder, President, and Chief Executive Officer of Mobius Risk Group, a provider of energy risk management outsourcing and advisory services. Prior to forming Mobius Risk Group, from 2000 to 2001, Mr. Melvin worked as the VP, New Business Ventures at Enron Energy Services, a subsidiary of Enron Corp. Mr. Melvin received his BGS from the University of Michigan, Ann Arbor in 1985. He also earned a JD from the University of Detroit, School of Law in 1990.

John White, Director

John White was named a director of the Company effective October 31, 2006. Since July 1, 2006, Mr. White has served as General Counsel and Senior Vice President of Government/Investor Relations of Standard Renewable Energy Group, LLC. From March 1, 2003 to June 30, 2006, Mr. White was a partner in the Houston, Texas office of Jones, Walker, Waechter, Poitevent, Carrere & Denegre LLP and from January 1, 2004 until June 30, 2006 was Managing Partner of that office. Mr. White was a partner in the law firm of Winstead Sechrest and Minick PC from February 1, 2002 until February 28, 2003. Mr. White is Chairman of the Texas A&M University System Board of Regents.

Kenneth Pearson, Chief Operating Officer

Kenneth Pearson became the Chief Operating Officer and Vice President of Product Development of the Company effective January 1, 2007. From November 2005 until January 2007, Mr. Pearson was an independent consultant. From 2001 until 2005, he was the Chief Operating Officer of Jadoo Power Systems Inc., where he launched the company and its products. Jadoo's primary product lines are portable fuel cell power, metal hydride storage and refilling products. During his tenure, he created and managed Jadoo's infrastructure, product development team and strategy, intellectual property strategy, supply chain relationships and a state of the art fuel cell development and manufacturing facility. Over the past 28 years Mr. Pearson has developed a track record in the management of technology companies in a broad range of industries from fuel cells, medical devices, electronics and aerospace. Mr. Pearson holds a BSME degree and has over four additional years of formal management training. He also is certified in operations by the Association for Operations Management. Mr. Pearson held a position on Jadoo Power Systems Board of Directors for three years and was elected to the National Hydrogen Associations Board of Directors in 2004.

Wade Stubblefield, Chief Financial Officer

Wade Stubblefield has served the Company as Chief Financial Officer since December 14, 2006, and since October 2006 has served as Chief Financial Officer of Standard Renewable Energy Group, LLC. From April 2004 to October 2006, Mr. Stubblefield served as Vice President and Corporate Controller of Group 1 Automotive, Inc., a Fortune 500 automotive retailer. At the time, Group 1 Automotive's operations encompassed 95 auto dealerships concentrated in 14 geographic locations. From December 2001 to April 2004, Mr. Stubblefield served as Managing Director of Enron's Wholesale and Retail Estate, where he was responsible for financial and accounting matters during post-bankruptcy operations. This organization consisted of 35 subsidiaries with 100 divisions and a net asset value of approximately \$6.0 billion. From August 1999 to December 2001, Mr. Stubblefield served as Vice President of Financial Operations for Enron Energy Services, a division of Enron Corp. with total annual sales of commodity and services approaching \$6.0 billion, total assets of approximately \$4.5 billion, and approximately 7,000 employees.

The term of office of each director expires at the Company's annual meeting of stockholders or until his successor is duly elected and qualified. Directors are not compensated for serving as such. Officers serve at the discretion of the Board of Directors.

No officer or director has, during the past five years, been involved in (a) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time, (b) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses), (c) any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities or (d) a finding by a court of competent jurisdiction (in a civil action), the SEC, or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law.

The Company's Board of Directors has established an Audit Committee. Currently, there are no members of the Audit Committee.

In April, 2006, Trulite formed a Compensation Committee. The committee has three members: Mr. John Berger, General Randolph House, and Mr. Richard Hoesterey. Mr. Hoesterey is the Chairman of the Compensation Committee.

PRINCIPAL STOCKHOLDERS AND HOLDINGS OF MANAGEMENT

The following table sets forth, as of the date of this Registration Statement, the number of shares of Common Stock owned of record and beneficially by executive officers and directors, and persons who hold 5% or more of the outstanding Common Stock of the Company. Also included are the shares held by all executive officers and directors as a group

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Name and Address	Amount and Nature of Beneficial Ownership	Percentage of Class(1)
NewPoint Energy Solutions, LP (a) 5 Houston Center 1401 McKinney Street, Suite 900 Houston, Texas 77010-4035	5,331,622	45.2%
Kevin Shurtleff (b) 573 East 950 North Orem, UT 84097	2,734,763(c)	21.9%
Andrew Nielson 340 South 800 West Orem, UT 84058	1,120,745 (d)	9.5%
Eric Ladd 4987 West Woodbend Road West Jordan, UT 84084	648,794 (e)	5.22 %
John Berger (f) 5 Houston Center 1401 McKinney Street, Suite 900 Houston, Texas 77010-4035	6,101,192 (g)	48.6%
Contango Capital Partners, L.P. (h) 5 Houston Center 1401 McKinney Street, Suite 900 Houston, Texas 77010-4035	768,778 (i)	6.1%
John Sifonis (j) P.O. Box 201887 Arlington, TX 76006-1887	123,206 (k)	1.0 %
General Randolph House (l) 905 Carmel Place College Station, TX 77845	3,423 (m)	0.03%
Eric Melvin (n) Three Riverway Suite 1700 Houston, TX 77056	769,570 (o)	6.1%
John White (p) 5 Houston Center 1401 McKinney Street, Suite 900 Houston, Texas 77010-4035	769,570 (q)	6.1%

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Contango Venture Capital Corporation (r) 3700 Buffalo Speedway, Suite 960 Houston, TX 77098	2,001,014 (s)	16.98%
Richard Hoesterey (t) 7852 La Cosa Drive Dallas, TX 75248	0	—
Jonathan H. Godshall (u) 5 Houston Center 1401 McKinney Street, Suite 900 Houston, Texas 77010-4035	0	—
Wade Stubblefield (v) 5 Houston Center 1401 McKinney Street, Suite 900 Houston, Texas 77010-4035	0	—
Kenneth Pearson (w) 5 Houston Center 1401 McKinney Street, Suite 900 Houston, Texas 77010-4035	15,000 (x)	.1%
All Directors and Officers as a Group (9 individuals)	6,242,821 (y)	49.17%

(1) Percentage calculated on a fully diluted basis.

- (a) Standard Renewable Energy Services, GP LLC is the General Partner of NewPoint Energy Solutions, LP. John Berger is the sole member and manager of Standard Renewable Energy Services, GP LLC and in that capacity has voting and dispositive power over these shares.
- (b) Dr. Shurtleff resigned from his position as member of the Company's Board of Directors and Vice President of Technology on March 24, 2006. Dr. Shurtleff continues to work for Trulite as an employee.
- (c) Represents 2,035,460 shares of Common Stock and currently exercisable options to purchase up to 699,303 shares of Common Stock at a price of \$.88 per share.
- (d) Effective March 2, 2005, Mr. Nielson gave an option to Eric Ladd to purchase up to 473,968 shares of his Common Stock for an aggregate purchase price of \$48,000, exercisable at any time until March 2, 2014.
- (e) Represents currently exercisable options to purchase 174,826 shares of Common Stock from the Company and a currently exercisable option to purchase up to 473,968 shares of Common Stock from Andrew Nielson for an aggregate purchase price of \$48,000. This option to purchase Mr. Nielson's Common Stock expires March 2, 2014.
- (f) Mr. Berger is the Chairman of the Board of Directors of Trulite and the managing partner of CCP.
- (g) Includes warrants to purchase 592,500 shares of Common Stock owned by CCP, options to purchase 176,278 shares of Common Stock owned by CCP, and 792 shares owned by CCPM. Although he does not have sole voting or dispositive power over the warrants and options owned by CCP, as a manager of the general partner of CCP he may be deemed to be the beneficial owner thereof. Includes 5,331,622 shares owned by NewPoint Energy Solutions, LP. Mr. Berger is the sole member and manager of Standard Renewable Energy Services, GP LLC, the general partner of Newpoint Energy Solutions, LP, and in that capacity has voting and dispositive power over these shares.
- (h) The general partner of Contango Capital Partners, LP ("CCP") is Contango Capital Partnership Management LLC ("CCPM"). John Berger, Kenneth R. Peak, Todd Sullivan, Gerald Sullivan, Eric Melvin, and John D. White are the managers of CCPM and collectively exercise voting and investment power on behalf of CCP.
- (i) Represents currently exercisable options to purchase up to 176,278 shares of Common Stock at a price of \$.88 per share and warrants to purchase 592,500 shares of Common Stock at a strike price of \$1.50 per share.
- (j) Mr. Sifonis a director of Trulite. Mr. Sifonis resigned as President and CEO effective August 11, 2006.
- (k) Represents currently exercisable options to purchase up to 119,506 shares of Common Stock at a price of \$.88 per share and 3,700 shares of Common Stock at a price of \$1.00 per share.
- (l) General House is a director of Trulite.
- (m) Represents currently exercisable options to purchase up to 3,423 shares of Common Stock at a price of \$.88 per share.
- (n) Mr. Melvin is a director of Trulite.
- (o) Consists of warrants to purchase 592,500 shares of Common Stock owned by CCP, options to purchase 176,278 shares of Common Stock owned by CCP, and 792 shares owned by CCPM. Although Mr. Melvin does not have sole voting or dispositive power over the shares owned by CCP, as a manager of the general partner of CCP he may be deemed a beneficial owner thereof.

- (p) Mr. White is a director of Trulite.
- (q) Consists of warrants to purchase 592,500 shares of Common Stock owned by CCP and options to purchase 176,278 shares of Common Stock owned by CCP, and 792 shares owned by CCPM. Although Mr. White does not have sole voting or dispositive power over the shares owned by CCP, as a manager of the general partner of CCP he may be deemed a beneficial owner thereof.
- (r) Contango Venture Capital Corporation is owned by Contango Oil & Gas Company. Kenneth R. Peak, Lesia Bautina, Sergio Castro and Marc Duncan are the executive officers of Contango Oil & Gas Company. The Board of Directors of Contango Oil & Gas Company consists of Kenneth R. Peak, Jay D. Brehmer, Darrell W. Williams, Charles M. Reimer and Steven L. Schoonover.
- (s) Represents 2,001,014 shares of Common Stock owned by Contango Venture Capital Corporation.
- (t) Mr. Hoesterey was appointed to the Company's Board of Directors on May 5, 2006.
- (u) Mr. Godshall was appointed President and Chief Operating Officer on August 7, 2006 and became a director effective October 31, 2006.
- (v) Mr. Stubblefield is the Chief Financial Officer of Trulite.
- (w) Mr. Pearson is the Chief Operating Officer of Trulite.
- (x) Represents currently exercisable options to purchase 15,000 shares of Common Stock.
- (y) Consists of 5,336,114 shares of Common Stock and an aggregate of 906,707 shares of Common Stock issuable upon exercise of options and warrants.

DESCRIPTION OF SECURITIES

General

(a) Common and Preferred Stock.

The Company is authorized by its Certificate of Incorporation to issue an aggregate of 21,500,000 shares of capital stock, comprising 20,000,000 shares of Common Stock, and 1,500,000 shares of preferred stock, par value \$.0001 per share (the "Preferred Stock"). As of December 31, 2006, 11,785,491 shares of capital stock, consisting of 11,785,491 shares of Common Stock and no shares of Preferred Stock, were issued and outstanding.

Common Stock

All shares of Common Stock are of the same class and have equal rights and attributes. The holders of Common Stock are entitled to one vote per share on all matters submitted to a vote of stockholders of the Company. All stockholders are entitled to share equally in dividends, if any, as may be declared from time to time by the Board of Directors out of funds legally available. In the event of liquidation, the holders of Common Stock are entitled to share ratably in all assets remaining after payment of all liabilities. The stockholders do not have cumulative or preemptive rights.

On April 10, 2005, the Board of Directors authorized a five-for-one split on all Common Stock issued prior to that date.

Preferred Stock

Trulite is authorized by its Certificate of Incorporation to designate and issue up to 1,500,000 shares of Preferred Stock. As of December 31, 2006, the Company had no shares of Preferred Stock outstanding.

The description of certain matters relating to the securities of the Company is a summary and is qualified in its entirety by the provisions of the Company's Certificate of Incorporation and bylaws, copies of which have been filed as exhibits to the Company's Form 10-SB/A filed with the SEC on June 8, 2006.

Stock Options, Warrants, and Other Rights

Trulite adopted an option plan to provide for the issuance of up to 3,110,805 shares of Common Stock which may be granted in the form of options to employees, directors, consultants, and advisors to the Company. During 2005, the Company granted options to purchase 466,692 shares of Common Stock with an exercise price of \$0.88, whereas the fair value of a share of Common Stock on the dates of grant was \$0.18. All of these options vest over four years and have a seven-year contractual life. During 2006, the Company granted options to purchase 2,441,662 shares of common stock under the Plan. With respect to 1,282,536 of these shares, the exercise price is \$0.88 per common share, whereas the fair value of a share of common stock on the date of grant was \$0.95. With respect to options to purchase the additional 1,159,126 shares of common stock, the exercise price is \$1.00 per common share. 1,167,604 of these options were vested upon grant during 2006, whereas the remaining 1,274,058 granted during 2006 vest over four years and have varying contractual lives ranging from four to seven years.. The number of options, option price, vesting and exercise schedules, and the duration of all options shall all be determined by the Board of Directors at the time of grant.

On April 13, 2006, pursuant to Rule 504 of Regulation D promulgated under the Securities Act, Trulite issued 1,000,000 shares of Common Stock, along with warrants to acquire an additional 1,000,000 shares of Common Stock at an exercise price of \$1.50 per share, to various investors for \$1.00 per share of Common Stock issued in a private placement.

In March 2006, Trulite entered into a consulting agreement with Boru Enterprises, Inc. (“Boru”). This consulting agreement was amended and restated in August 2006. The agreement contemplates that Boru will (i) assist in the Company identifying an NASD member to make a Rule 15c2 11 filing; (ii) coordinate with the Company and its counsel in filing with the SEC, this Registration Statement on Form SB-2; (iii) after the Registration Statement on Form SB-2 is declared effective, introduce the Company to NASD member firms that may have an interest in helping the Company raise capital in the public markets; (iv) identify potential investors to the Company so that the Company or NASD member firms engaged by the Company may discuss a potential investment directly with the potential investors; and (v) provide other general consulting advice regarding the process for going public. The term of the agreement has not been determined, though both Boru and the Company anticipate such services to be provided by Boru for at least two years. In exchange for these services, the Company (i) issued to Boru 250,000 shares of Common Stock, which are included in this prospectus and (ii) issued to Boru warrants having a five-year term to purchase 250,000 shares of Common Stock at a strike price of \$3.00 per share. Of the 250,000 shares of Common Stock and the warrants issued as compensation, Boru retained 200,000 shares of Common Stock and warrants to purchase 250,000 shares of Common Stock. The remaining 50,000 shares of Common Stock were issued by Boru to five different charities, in 10,000 share increments.

On April 25, 2006, Trulite entered into a consulting agreement with Jelco, Inc. (“Jelco”) for investment banking services. Pursuant to the agreement, Jelco agreed to (i) assist the Company in identifying an NASD member to make the 15C-211 filing; (ii) assist the Company in raising additional capital; (iii) facilitate the Company’s registration of its securities; and (iv) provide the Company with other consulting services. The agreement terminates on April 25, 2008. In exchange for these services, the Company issued to Jelco 50,000 shares of Common Stock, which are included in this registration statement and warrants having a five-year term to purchase 150,000 shares of Common Stock at a strike price of \$3 per share. Jelco shall pay all of its reasonable expenses. John Ligums controls Jelco. Separately, Mr. Ligums’ son, Jeb Ligums, purchased 50,000 shares of Common Stock in April 2006 in connection with the Company’s private placement, and Mr. Ligums’ daughter, Jenny Ligums, owns options to purchase 5,000 shares of Common Stock.

Comparative Share Data:

Shares offered by this prospectus by the selling stockholders: 2,788,047

Dividends and Dividend Periods

General. Holders of the MRP Shares will be entitled to receive cash dividends, when, as and if authorized by the Board of Directors and declared by us, out of funds legally available therefor, on the initial dividend payment date with respect to the initial dividend period and, thereafter, on each dividend payment date with respect to a subsequent dividend period at the rate per annum (the Dividend Rate) equal to the applicable rate (or the default rate) for each dividend period. The applicable rate is computed on the basis of a 360 day year. Dividends so declared and payable shall be paid to the extent permitted under Maryland law and to the extent available and in preference to and priority over any distributions declared and payable on our common stock.

Fixed Dividend Rate, Payment of Dividends and Dividend Periods. The applicable rate for each of the Series A MRP Shares, the Series B MRP Shares, the Series C MRP Shares, the Series E MRP Shares, the Series F MRP Shares and the Series G MRP Shares is 5.57% per annum, 4.53% per annum, 5.20% per annum, 4.25% per annum, 3.50% per annum and 4.60% per annum, respectively, and may be adjusted upon a change in the credit rating of such series of MRP Shares. Dividends on Series A MRP Shares, Series B MRP Shares and Series C MRP Shares will be payable quarterly and dividends on the Series E MRP Shares, the Series F MRP Shares and the Series G MRP Shares will be payable monthly. Dividend periods for each series of the Series A MRP Shares, the Series B MRP Shares and the Series C MRP Shares will end on February 28, May 31, August 31 and November 30, and dividend periods for the Series E MRP Shares, the Series F MRP Shares and the Series G MRP Shares will end at the end of each month. Dividends will be paid on the first business day following the last day of each dividend period and upon redemption of such series of the MRP Shares.

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Adjustment to MRP Shares Fixed Dividend Rate Ratings. So long as each series of MRP Shares are rated on any date no less than A by Fitch (and no less than an equivalent of such ratings by some other rating agency), then the Dividend Rate will be equal to the applicable rate for such series of MRP Shares. As of September 30, 2013, Fitch has assigned each of our outstanding series of MRP Shares a rating of AA. If the lowest credit rating assigned on any date to the then outstanding Series A MRP Shares, Series B MRP Shares or Series C MRP Shares by Fitch (or any other rating agency) is equal to one of the ratings set forth in the table below (or its equivalent by some other rating agency), the Dividend Rate applicable to such outstanding MRP Shares for such date will be adjusted by adding the respective enhanced dividend amount (which shall not be cumulative) set opposite such rating to the applicable rate.

Fitch	Enhanced Dividend Amount
A	0.5%
BBB+ to BBB	2.0%
BB+ and lower	4.0%

If the highest credit rating assigned by Fitch (or any other rating agency) on any date to the then outstanding Series E MRP Shares, the Series F MRP Shares or the Series G MRP Shares is equal to one of the ratings set forth in the table below (or its equivalent by some other rating agency), the Dividend Rate applicable to such outstanding shares for such date will be adjusted by adding the respective enhanced dividend amount (which shall not be cumulative) set forth opposite such rating to the applicable rate.

Fitch	Enhanced Dividend Amount
A	0.75%
BBB+	1.00%
BBB	1.25%
BBB	1.50%
BB+ and lower	4.00%

If no rating agency is rating our MRP Shares, the Dividend Rate (so long as no rating exists) applicable to such series of MRP Shares for such date shall be the rate equal to the applicable rate plus 4.0%, unless the Dividend Rate is the default rate (namely, the applicable rate in effect on such calendar day, without adjustment for any credit rating change on such MRP Shares, plus 5% per annum), in which case the Dividend Rate shall remain the default rate.

Default Rate Default Period. The Dividend Rate will be the default rate in the following circumstances. Subject to the cure provisions below, a Default Period with respect to MRP Shares will commence on a date we fail to pay directly or deposit irrevocably in trust in same-day funds, with the paying agent by 1:00 p.m. (or 3:00 p.m. for the Series E MRP Shares, the Series F MRP Shares or the Series G MRP Shares), New York City time, (i) the full amount of any dividends on the MRP Shares payable on the dividend payment date (a Dividend Default) or (ii) the full amount of any redemption price payable on a mandatory redemption date (a Redemption Default) and, together with a Dividend Default, hereinafter referred to as a Default).

In the case of a Dividend Default, the Dividend Rate for each day during the Default Period will be equal to the default rate. The default rate for any calendar day shall be equal to the applicable rate in effect on such day plus five percent (5%) per annum. Subject to the cure period discussed in the following paragraph, a default period with respect to a Dividend Default or a Redemption Default shall end on the business day on which by 12 noon, New York City time, all unpaid dividends and any unpaid and any unpaid redemption price shall have directly paid (or shall have been deposited irrevocably in trust in same-day funds with the paying agent for the Series E MRP Shares, the Series F MRP Shares and the Series G MRP Shares).

No Default Period with respect to a Dividend Default or Redemption Default will be deemed to commence if the amount of any dividend or any redemption price due (if such default is not solely due to our willful failure) is paid (or shall have been deposited irrevocably in trust in same-day funds with the paying agent for the Series E MRP Shares, the Series F MRP Shares and the Series G MRP Shares) within three business days (the Default Rate Cure Period) 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 within the Default Rate Cure Period divided by 360.

Upon failure to pay dividends for two years or more, the holders of MRP Shares will acquire certain additional voting rights. See Description of Securities Preferred Stock Voting Rights herein. Such rights shall be the exclusive remedy of the holders of MRP Shares upon any failure to pay dividends on the MRP Shares.

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Distributions. Distributions declared and payable shall be paid to the extent permitted under Maryland law and to the extent available and in preference to and priority over any distribution declared and payable on the common stock. Because the cash distributions received from the MLPs in our portfolio are expected to exceed the earnings and profits associated with owning such MLPs, it is possible that a portion of a distribution payable on our preferred stock will be paid

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from sources other than our current or accumulated earnings and profits. The portion of such distribution which exceeds our current or accumulated earnings and profits would be treated as a return of capital to the extent of the stockholder's basis in our preferred stock, then as capital gain.

Redemption

Term Redemption. We are required to redeem all of the Series A MRP Shares on May 7, 2017, all of the Series B MRP Shares on November 9, 2017, all of the Series C MRP Shares on November 9, 2020, all of the Series E MRP Shares on April 1, 2019, all of the Series F MRP Shares on April 15, 2020 and all of the Series G MRP Shares on October 1, 2021 (each such date, a Term Redemption Date).

Series A, B and C MRP Shares Optional Redemption. To the extent permitted under the 1940 Act and Maryland law, we may, at our option, redeem Series A MRP Shares, Series B MRP Shares and Series C MRP Shares, in whole or in part, out of funds legally available therefor, at any time and from time to time, upon not less than 20 calendar days nor more than 40 calendar days prior notice. The optional redemption price per MRP Share shall be the \$25.00 per share (the Liquidation Preference Amount) plus accumulated but unpaid dividends and distributions on such series of MRP Shares (whether or not earned or declared by us, but excluding, the date fixed for redemption, plus an amount determined in accordance with the applicable articles supplementary for each such series of MRP Shares which compensates the holders of such series of MRP Shares for certain losses resulting from the early redemption of such series of MRP Shares (the Make-Whole Amount)). Notwithstanding the foregoing, we may, at our option, redeem the Series A MRP Shares, the Series B MRP Shares or the Series C MRP Shares within 180 days prior to the applicable Term Redemption Date for such series of MRP Shares, at the Liquidation Preference Amount plus accumulated but unpaid dividends and distributions thereon (whether or not earned or declared by us but excluding interest thereon) to, but excluding, the date fixed for redemption.

In addition to the rights to optionally redeem the Series A MRP Shares, the Series B MRP Shares and the Series C MRP Shares as described above, if the asset coverage with respect to outstanding debt securities and preferred stock is greater than 225%, but less than or equal to 235%, for any five business days within a ten business day period determined in accordance with the terms of the articles supplementary for such series of MRP Shares, we, upon notice (as provided below) of not less than 20 days in the case of Series A MRP Shares, or 12 days in the case of Series B MRP Shares or Series C MRP Shares, nor more than 40 days notice in any case, may redeem such series of MRP Shares at the Liquidation Preference Amount plus accumulated but unpaid dividends and distributions thereon (whether or not earned or declared) to, but excluding, the date fixed for redemption, plus a redemption amount equal to 2% of the liquidation preference amount. The amount of the Series A MRP Shares, Series B MRP Shares and Series C MRP Shares that may be so redeemed shall not exceed an amount of such series of MRP Shares which results in an asset coverage of more than 250% pro forma for such redemption.

We shall not give notice of or effect any optional redemption unless (in the case of any partial redemption of a series of MRP Shares) on the date of such notice and on the date fixed for the redemption, we would satisfy the basic maintenance amount set forth in current applicable rating agency guidelines and the asset coverage with respect to outstanding debt securities and preferred stock is greater than or equal to 225% immediately subsequent to such redemption, if such redemption were to occur on such date.

Series E, F and G MRP Shares Optional Redemption. To the extent permitted under the 1940 Act and Maryland law, we may, at our option, redeem Series E MRP Shares, the Series F MRP Shares or the Series G MRP Shares, as the case may be, in whole or in part, out of funds legally available therefor, at any time and from time to time, upon not less than 30 calendar days nor more than 40 calendar days prior notice. This optional redemption is limited during the first year the Series E MRP Shares, the Series F MRP Shares and the Series G MRP Shares as the case may be, are outstanding to situations in which the asset coverage with respect to outstanding debt securities and preferred stock is greater than 225%, but less than 235% for any five business days within a 10 business day period. The amount of Series E MRP Shares, the Series F MRP Shares and the Series G MRP Shares as the case may be, that may be redeemed during the first year may not exceed an amount that results in an asset coverage of more than 250% pro forma for such redemption. Subject to the foregoing conditions, at any time on or prior to March 20, 2013 in the case of the Series E MRP Shares, April 14, 2014 in the case of the Series F MRP Shares and September 30, 2014 in the case of the Series G MRP Shares, we may redeem the Series E MRP Shares, the Series F MRP Shares and the Series G MRP Shares, as the case may be, at a price per share equal to 102% of the liquidation preference per share, plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the date fixed for redemption. After March 20, 2013 in the case of the Series E MRP Shares, April 14, 2014 in the case of the Series F MRP Shares and September 30, 2014 in the case of the Series G MRP Shares, subject to the foregoing conditions, we may redeem the Series E MRP Shares, the Series F MRP Shares and the Series G MRP Shares, as the case may be, at the Optional Redemption Price per share.

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The Optional Redemption Price in the case of Series E MRP Shares shall equal the product of the percentage provided below, as applicable, and the liquidation preference per share, plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the date fixed for redemption:

Time Periods	Percentage
After March 20, 2013 and on or before March 20, 2014	101.0%
After March 20, 2014 and on or before March 20, 2015	100.5%
After March 20, 2015 and on or before the Series E MRP Shares Term Redemption Date	100.0%

The Optional Redemption Price in case of the Series F MRP Shares shall equal the product of the percentage provided below, as applicable, and the liquidation preference per share, plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the date fixed for redemption:

Time Periods	Percentage
After April 14, 2014 and on or before April 14, 2015	101.0%
After April 14, 2015 and on or before April 14, 2016	100.5%
After April 14, 2016 and on or before the Series F MRP Shares Term Redemption Date	100.0%

The Optional Redemption Price in case of the Series G MRP Shares shall equal the product of the percentage provided below, as applicable, and the liquidation preference per share, plus an amount equal to accumulated but unpaid dividends thereon (whether or not earned or declared but excluding interest thereon) to (but excluding) the date fixed for redemption:

Time Periods	Percentage
After September 30, 2014 and on or before September 30, 2015	101.0%
After September 30, 2015 and on or before September 30, 2016	100.5%
After September 30, 2016 and on or before the Series G MRP Shares Term Redemption Date	100.0%

If fewer than all of the outstanding Series E MRP Shares, Series F MRP Shares or Series G MRP Shares, as the case may be, are to be redeemed in an optional redemption, we shall allocate the number of shares required to be redeemed pro rata among the holders of such series of MRP Shares in proportion to the number of shares they hold, by lot or by such other method as we shall deem fair and equitable.

We shall not effect any optional redemption unless (i) on the date of such notice and on the date fixed for redemption we have available either (A) cash or cash equivalents or (B) any other Deposit Securities (as defined in the articles supplementary for the applicable series of MRP Shares) with a maturity or tender date not later than one day preceding the applicable redemption date, or any combination thereof, having an aggregate value not less than the amount, including any applicable premium, due to holders of the Series E MRP Shares, Series F MRP Shares or Series G MRP Shares, as the case may be, by reason of the redemption of the applicable Series of MRP Shares on such date fixed for the redemption and (ii) we would satisfy the basic maintenance amount for such series of MRP Shares.

We also reserve the right, but have no obligation, to repurchase Series E MRP Shares, Series F MRP Shares or Series G MRP Shares, in market or other transactions from time to time in accordance with applicable law and our charter and at a price that may be more or less than the liquidation preference of the Series E MRP Shares, Series F MRP Shares or Series G MRP Shares, as the case may be.

Mandatory Redemption. If, while any Series A MRP Shares are outstanding, we fail to satisfy the asset coverage as of the last day of any month or the basic maintenance amount as of any valuation date (any such day, an Series A Asset Coverage Cure Date), the Series A MRP Shares will be subject to mandatory redemption out of funds legally available therefor at the Liquidation Preference Amount plus accumulated but unpaid dividends and distributions thereon (whether or not earned or declared by us, but excluding interest thereon) to, but excluding, the date fixed for redemption, plus a redemption amount equal to 1% of the Liquidation Preference Amount.

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If, while any Series B MRP Shares, Series C MRP Shares, Series E MRP Shares, Series F MRP Shares or Series G MRP Shares are outstanding, we fail to satisfy the asset coverage as of the last day of any month or the basic maintenance amount as of any valuation date, and such failure is not cured as of the close of business on the date this 30 days from such business day (any such day, a Series B, C, E, F&G Asset Coverage Cure Date) or to the extent that a redemption of the Series A MRP Shares is required under the provisions set forth in the immediately preceding paragraph, the Series B MRP Shares, the Series C MRP Shares, the Series E MRP, Series F MRP Shares and Series G MRP Shares will be subject to mandatory redemption out of funds legally available therefor at the Liquidation Preference Amount plus accumulated but unpaid dividends and distributions thereon (whether or not earned or declared by us, but excluding interest thereon) to, but excluding, the date fixed for redemption, plus, in the case of Series B MRP Shares or Series C MRP Shares, a redemption amount equal to 1% of the Liquidation Preference Amount.

The number of MRP Shares to be redeemed under these circumstances will be equal to the product of (1) the quotient of the number of outstanding MRP Shares of each series divided by the aggregate number of outstanding shares of preferred stock (including the MRP Shares) which have an asset coverage test greater than or equal to 225% times (2) the minimum number of outstanding shares of preferred stock (including the MRP Shares) the redemption of which, would result in us satisfying the asset coverage and basic maintenance amount as of the Series A Asset Coverage Cure Date or Series B, C, E, F&G Asset Coverage Cure Date, as applicable (provided that, if there is no such number of MRP Shares of such series the redemption of which would have such result, we shall, subject to certain limitation set forth in the next paragraph, redeem all MRP Shares of such series then outstanding).

We are required to effect such mandatory redemptions not later than 40 days after the Series A Asset Coverage Cure Date and Series B, C, E, F&G Asset Coverage Cure Date, respectively (and in the case of the Series E MRP Shares, Series F MRP Shares and Series G MRP Shares, not earlier than 30 days after such date) (each a Mandatory Redemption Date), except (1) if we do not have funds legally available for the redemption of, or (2) such redemption is not permitted under our credit facility, any agreement or instrument consented to or agreed to by the applicable preferred stock holders pursuant to the applicable articles supplementary or the note purchase agreements relating to the Senior Notes to redeem or (3) if we are not otherwise legally permitted to redeem the number of MRP Shares which we would be required to redeem under the articles supplementary of such series of MRP Shares if sufficient funds were available, together with shares of other preferred stock which are subject to mandatory redemption under provisions similar to those contained in the articles supplementary for such series of MRP Shares, we shall redeem those MRP Shares, and any other preferred stock which we were unable to redeem, on the earliest practical date on which we will have such funds available, and we are otherwise not prohibited from redeeming pursuant to the credit facility or the note purchase agreements relating to the Senior Notes or other applicable laws. In addition, our ability to make a mandatory redemption may be limited by the provisions of the 1940 Act or Maryland law.

If fewer than all of the outstanding Series A MRP Shares, Series B MRP Shares or Series C MRP Shares are to be redeemed in an optional or mandatory redemption, we shall allocate the number of shares required to be redeemed pro rata among the holders of such series of MRP Shares in proportion to the number of shares they hold. If fewer than all of the outstanding Series E MRP Shares, Series F MRP Shares or Series G MRP Shares are to be redeemed in an optional or mandatory redemption, we shall allocate the number of shares required to be purchased pro rata among the holders of such series of MRP Shares in proportion to the number of shares they hold, by lot or by such other method as we shall deem fair and equitable.

Redemption Procedure. In the event of a redemption, we will file a notice of our intention to redeem any MRP Shares with the SEC under Rule 23c-2 under the 1940 Act or any successor provision to the extent applicable. We also shall deliver a notice of redemption to the paying agent and the holders of MRP Shares to be redeemed as specified above for an optional or mandatory redemption (Notice of Redemption).

If Notice of Redemption has been given, then upon the deposit with the paying agent sufficient to effect such redemption, dividends on such shares will cease to accumulate and such shares will be no longer deemed to be outstanding for any purpose and all rights of the holders of the shares so called for redemption will cease and terminate, except the right of the holders of such shares to receive the redemption price, but without any interest or additional amount.

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Notwithstanding the provisions for redemption described above, but subject to provisions on liquidation rights described below no MRP Shares may be redeemed unless all dividends in arrears on the outstanding MRP Shares and any of our outstanding shares ranking on a parity with the MRP Shares with respect to the payment of dividends or upon liquidation, have been or are being contemporaneously paid or set aside for payment. However, at any time, we may purchase or acquire all the outstanding MRP 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 MRP Shares.

Except for the provisions described above, nothing contained in the articles supplementary for each series of MRP Shares limits our legal right to purchase or otherwise acquire any MRP Shares 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 (1) there is no arrearage in the payment of dividends on, or the mandatory or optional redemption price with respect to, any MRP Shares for which a Notice of Redemption has been given, (2) we are in compliance with the asset coverage with respect to our outstanding debt securities and preferred stock of 225% and the basic maintenance amount set forth in the current applicable rating agency guidelines after giving effect to such purchase or acquisition on the date thereof and (3) only with respect to a purchase of Series A MRP Shares, Series B MRP Shares or Series C MRP Shares, we make an offer to purchase or otherwise acquire any Series A MRP Shares, Series B MRP Shares or Series C MRP Shares pro rata to the holders of all such MRP Shares at the time outstanding upon the same terms and conditions.

Any shares purchased, redeemed or otherwise acquired by us shall be returned to the status of authorized but unissued shares of common stock.

Series E, F and G MRP Shares Term Redemption Liquidity Account. On or prior to November 30, 2018 for the Series E MRP Shares, on or prior to December 15, 2019 for the Series F MRP Shares, and on or prior to June 1, 2021 for the Series G MRP Shares (each such date, a Liquidity Account Initial Date), we will cause our custodian to segregate, by means of appropriate identification on its books and records or otherwise in accordance with the custodian's normal procedures, from our other assets (the Term Redemption Liquidity Account) Deposit Securities (each a Liquidity Account Investment and collectively, the Liquidity Account Investments) with an aggregate market value equal to at least 110% of the Term Redemption Amount (as defined below) with respect to such series of MRP Shares.

The Term Redemption Amount for Series E MRP Shares, Series F MRP Shares and Series G MRP Shares is equal to the Redemption Price to be paid on the Term Redemption Date of such series of MRP Shares, based on the number of such series of MRP Shares then outstanding, assuming for this purpose that the Dividend Rate for such series of MRP Shares in effect at the Liquidity Account Initial Date will be the Dividend Rate in effect until the Term Redemption Date. If, on any date after the Liquidity Account Initial Date, the aggregate market value of the Liquidity Account Investments included in the Term Redemption Liquidity Account for such series of MRP Shares as of the close of business on any business day is less than 110% of the Term Redemption Amount, then we will cause the custodian to take all such necessary actions, including segregating our assets as Liquidity Account Investments, so that the aggregate market value of the Liquidity Account Investments included in the Term Redemption Liquidity Account is at least equal to 110% of the Term Redemption Amount not later than the close of business on the next succeeding business day.

We may instruct the custodian on any date to release any Liquidity Account Investments from segregation with respect to the Series E MRP Shares, the Series F MRP Shares or the Series G MRP Shares and to substitute therefor other Liquidity Account Investments not so segregated, so long as the assets segregated as Liquidity Account Investments at the close of business on such date have a market value equal to 110% of the Term Redemption Amount. We will cause the custodian not to permit any lien, security interest or encumbrance to be created or permitted to exist on or in respect of any Liquidity Account Investments included in the Term Redemption Liquidity Account, other than liens, security interests or encumbrances arising by operation of law and any lien of the custodian with respect to the payment of its fees or repayment for its advances.

The Liquidity Account Investments included in the Term Redemption Liquidity Account may be applied by us, in our sole discretion, towards payment of the redemption price for the Series E MRP Shares, the Series F MRP Shares and the Series G MRP Shares, as the case may be. The Series E MRP Shares, the Series F MRP Shares or the Series G MRP Shares shall not have any preference or priority claim with respect to the Term Redemption Liquidity Account or any Liquidity Account Investments deposited therein. Upon the deposit by us with the Series E MRP Shares paying agent, the Series F MRP Shares paying agent or the Series G MRP Shares paying agent, as the case may be, of Liquidity Account Investments having an initial combined Market Value sufficient to effect the redemption of the Series E MRP Shares, the Series F MRP Shares or the Series G MRP Shares, as the case may be, on the Term Redemption Date, the requirement to maintain the Term Redemption Liquidity Account as described above will lapse and be of no further force and effect.

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Limitations on Distributions. So long as we have senior securities representing indebtedness (including Senior Notes) and senior securities (including preferred stock) outstanding, holders of preferred stock will not be entitled to receive any distributions from us unless (1) asset coverage (as defined in the 1940 Act) with respect to outstanding debt securities and preferred stock would be at least 225%, (2) the assets in our portfolio that have a value, discounted in accordance with guidelines set forth by each applicable rating agency, at least equal to the basic maintenance amount required by such rating agency under its specific rating agency guidelines, in each case, after giving effect to such distributions, (3) full cumulative dividends on the MRP Shares due on or prior to the date of such distribution have been declared and paid, and (4) we have redeemed the full number of MRP Shares required to be redeemed by any provision for mandatory redemption applicable to the MRP Shares, and (5) there is no event of default or default under the terms of our senior securities representing indebtedness.

Liquidation Rights. In the event of any liquidation, dissolution or winding up, the holders of preferred stock would be entitled to receive a preferential liquidating distribution, which is expected to equal the liquidation preference per share plus accumulated and unpaid dividends, whether or not earned or declared, before any distribution of assets is made to holders of common stock. After payment of the full amount of the liquidating distribution to which they are entitled, the holders of preferred stock will not be entitled to any further participation in any distribution of our assets. If, upon any such liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, our assets available for distribution among the holders of all outstanding preferred stock shall be insufficient to permit the payment in full to such holders of the amounts to which they are entitled, then available assets shall be distributed among the holders of all outstanding preferred stock ratably in that distribution of assets according to the respective amounts which would be payable on all such shares if all amounts thereon were paid in full. Preferred stock ranks junior to our debt securities upon our liquidation, dissolution or winding up of our affairs.

Voting Rights. Except as otherwise indicated in our Charter or Bylaws, or as otherwise required by applicable law, holders of preferred stock have one vote per share and vote together with holders of common stock as a single class.

The 1940 Act requires that the holders of any preferred stock, voting separately as a single class, have the right to elect at least two directors at all times. The remaining directors will be elected by holders of common stock and preferred stock, voting together as a single class. In addition, the holders of any shares of preferred stock have the right to elect a majority of the directors at any time two years accumulated dividends on any preferred stock are unpaid. The 1940 Act also requires that, in addition to any approval by stockholders that might otherwise be required, the approval of the holders of a majority of shares of any outstanding preferred stock, voting separately as a class, would be required to (i) adopt any plan of reorganization that would adversely affect the preferred stock, and (ii) take any action requiring a vote of security holders under Section 13(a) of the 1940 Act, including, among other things, changes in our subclassification as a closed-end investment company or changes in our fundamental investment restrictions. See *Certain Provisions in Our Charter and Bylaws*. As a result of these voting rights, our ability to take any such actions may be impeded to the extent that any shares of our preferred stock are outstanding.

The affirmative vote of the holders of a majority of the outstanding preferred stock determined with reference to a 1940 Act Majority, voting as a separate class, will 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 our security holders under Section 13(a) of the 1940 Act. The affirmative vote of the holders of two-thirds of our outstanding preferred stock, or if the NYSE amends its voting rights policy to allow investment companies regulated under the 1940 Act to use the 1940 Act Majority (as defined in our Charter) voting standard, the affirmative vote of the holders of the 1940 Act Majority (as defined in our Charter) of the outstanding preferred stock, voting as a separate class will be required (1) to amend, alter or repeal any of the preferences, rights or powers of holders of our preferred stock so as to affect materially and adversely such preferences, rights or powers, and (2) to approve the issuance of shares of any class of stock (or the issuance of a security convertible into, or a right to purchase, shares of a class or series) ranking senior to our preferred stock with respect to the payment of dividends or the distribution of assets. The class vote of holders of preferred stock described above will in each case be in addition to any other vote required to authorize the action in question.

Repurchase Rights. We will have the right (to the extent permitted by applicable law) to purchase or otherwise acquire any preferred stock, other than the MRP Shares, so long as (1) asset coverage (as defined in the 1940 Act) with respect to outstanding debt securities and preferred stock would be at least 225%, (2) the assets in our portfolio have a value, discounted in accordance with guidelines set forth by each applicable rating agency, at least equal to the basic maintenance

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amount required by such rating agency under its specific rating agency guidelines, in each case after giving effect to such transactions, (3) full cumulative dividends on the MRP Shares due on or prior to the date of such purchase or acquisition have been declared and paid and (4) we have redeemed the full number of MRP Shares required to be redeemed by any provision for mandatory redemption applicable to the MRP Shares.

Market. Our Series A MRP Shares, Series B MRP Shares and Series C MRP Shares are not listed on an exchange or an automated quotation system. Our Series E MRP Shares are listed on the NYSE under the symbol KYNPRE . Our Series F MRP Shares are listed on the NYSE under the symbol KYNPRF . Our Series G MRP Shares are listed on the NYSE under the symbol KYNPRG .

The details on how to buy and sell newly-issued preferred stock, along with other terms of such preferred stock, will be described in a related prospectus supplement. We cannot assure you that any secondary market will exist or that if a secondary market does exist, whether it will provide holders with liquidity.

Book-Entry, Delivery and Form. Unless otherwise indicated in the related prospectus supplement, newly-issued preferred stock will be issued in book-entry form and will be represented by one or more share certificates in registered global form. The global certificates will be held by The Depository Trust Company (DTC) and registered in the name of Cede & Co., as nominee of DTC. DTC will maintain the certificates in specified denominations per share through its book-entry facilities.

We may treat the persons in whose names any global certificates are registered as the owners thereof for the purpose of receiving payments and for any and all other purposes whatsoever. Therefore, so long as DTC or its nominee is the registered owner of the global certificates, DTC or such nominee will be considered the sole holder of outstanding preferred stock.

A global certificate may not be transferred except as a whole by DTC, its successors or their respective nominees, subject to the provisions restricting transfers of shares contained in the related articles supplementary.

Transfer Agent, Registrar, Dividend Paying Agent and Redemption Agent. The Bank of New York Mellon Trust Company, N.A., 601 Travis Street, 16th Floor, Houston, Texas 77002, serves as the transfer agent, registrar, dividend paying agent and redemption agent with respect to our Series A MRP Shares, Series B MRP Shares and Series C MRP Shares. American Stock Transfer & Trust Company serves as the transfer agent, registrar, dividend paying agent and redemption agent with respect to our Series E MRP Shares, our Series F MRP Shares and our Series G MRP Shares.

Debt Securities

Under Maryland law and our Charter, we may borrow money, without prior approval of holders of common and preferred stock to the extent permitted by our investment restrictions and the 1940 Act. We may issue debt securities, including additional Senior Notes, or other evidence of indebtedness (including bank borrowings or commercial paper) and may secure any such notes or borrowings by mortgaging, pledging or otherwise subjecting as security our assets to the extent permitted by the 1940 Act or rating agency guidelines. Any borrowings, including without limitation the Senior Notes, will rank senior to the preferred stock and the common stock.

General

As of September 30, 2013, the Company had \$1,175 million, aggregate principal amount, of senior unsecured fixed and floating rate notes (the Senior Notes) outstanding. The Senior Notes are subordinated in right of payment to any of our secured indebtedness or other secured obligations to the extent of the value of the assets that secure the indebtedness or obligation. The Senior Notes may be prepaid prior to their maturity at our option, in whole or in part, under certain circumstances and are subject to mandatory prepayment upon an event of default.

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The table below set forth the key terms of each series of the Senior Notes.

Series	Principal Outstanding September 30, 2013 (\$ in millions)	Fixed/Floating Interest Rate	Maturity
M	60	4.560%	November 2014
N	50	3-month LIBOR + 185 bps	November 2014
O	65	4.210%	May 2015
P	45	3-month LIBOR + 160 bps	May 2015
Q	15	3.230%	November 2015
R	25	3.730%	November 2017
S	60	4.400%	November 2020
T	40	4.500%	November 2022
U	60	3-month LIBOR + 145 bps	May 2016
V	70	3.710%	May 2016
W	100	4.380%	May 2018
X	14	2.460%	May 2015
Y	20	2.910%	May 2017
Z	15	3.390%	May 2019
AA	15	3.560%	May 2020
BB	35	3.770%	May 2021
CC	76	3.950%	May 2022
DD	75	2.74%	April 2019
EE	50	3.200%	April 2021
FF	65	3.570%	April 2023
GG	45	3.670%	April 2025
HH	175	3-month LIBOR + 125bps	August 2016
	\$ 1,175		

Interest. The fixed rate Senior Notes will bear interest from the date of issuance at the fixed or floating rate shown above. Holders of our floating rate Senior Notes are entitled to receive quarterly cash interest payments at an annual

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rate that may vary for each rate period. Holders of our fixed rate Senior Notes are entitled to receive semi-annual cash interest payments at an annual rate per the terms of such notes. If we do not pay interest when due, it will trigger an event of default and we will be restricted from declaring dividends and making other distributions with respect to our common stock and preferred stock. As of September 30, 2013, each series of Senior Notes were rated AAA by Fitch. In the event the credit rating on any series of Senior Notes falls below A- (Fitch) or the equivalent rating from a nationally recognized statistical ratings organization, the interest rate (including any applicable default rate) on such series will increase by 1% during the period of time such series is rated below A- or the equivalent rating from a nationally recognized statistical ratings organization.

Limitations. Under the requirements of the 1940 Act, immediately after issuing any senior securities representing indebtedness, we must have an asset coverage of at least 300%. Asset coverage means the ratio which the value of our total assets, less all liabilities and indebtedness not represented by senior securities, bears to the aggregate amount of senior securities representing indebtedness. Under the 1940 Act, we may only issue one class of senior securities representing indebtedness. So long as any Senior Notes are outstanding, additional debt securities must rank on a parity with Senior Notes with respect to the payment of interest and upon the distribution of our assets. We are subject to certain restrictions imposed by Fitch, including restrictions related to asset coverage and portfolio composition. Borrowings also may result in our being subject to covenants in credit agreements that may be more stringent than the restrictions imposed by the 1940 Act. For a description of limitations with respect to our preferred stock, see Capital Stock Preferred Stock Limitations on Distributions.

Prepayment. To the extent permitted under the 1940 Act and Maryland law, we may, at our option, prepay the Senior Notes, in whole or in part in the amounts set forth in the purchase agreements relating to such Senior Notes, at any time from time to time, upon advance prior notice. The amount payable in connection with prepayment of the fixed rate notes is equal to 100% of the amount being repurchased, together with interest accrued thereon to the date of such prepayment and the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The amount payable in connection with prepayment of the floating rate notes is equal to 100% of the amount being repurchased, together with interest accrued thereon to the date of such prepayment and a prepayment premium, if any, and any LIBOR breakage amount, in each case, determined for the prepayment date with respect to such principal amount. In the case of each partial prepayment, the principal amount of a series of Senior Notes to be prepaid shall be allocated among all of such series of Senior Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment. If our asset coverage is greater than 300%, but less than 325%, for any five business days within a ten business day period, in certain circumstances, we may prepay all or any part of the Series Q, R, S, T, V, W, X, Y, Z, AA, BB, CC, DD, EE, FF or GG Senior Notes at par plus 2%.

Events of Default and Acceleration of Senior Notes; Remedies. Any one of the following events will constitute an event of default under the terms of the Senior Notes:

default in the payment of any interest upon a series of debt securities when it becomes due and payable and the continuance of such default for 5 business days;

default in the payment of the principal of, or premium on, a series of debt securities whether at its stated maturity or at a date fixed for prepayment or by declaration or otherwise;

default in the performance, or breach, of certain financial covenants, including financial tests incorporated from other agreements evidencing indebtedness pursuant to the terms of the Senior Notes, and covenants concerning the rating of the Senior Notes, timely notification of the holders of the Senior Notes of events of default, the incurrence of secured debt and the payment of dividends and other distributions and the making of redemptions on our capital stock, and continuance of any such default or breach for a period of 30 days; provided, however, in the case of our failure to maintain asset coverage or satisfy the basic maintenance test, such 30-day period will be extended by 10 days if we give the holders of the Senior Notes notice of a prepayment of Senior Notes in an amount necessary to cure such failure;

default in the performance, or breach, of any covenant (other than those covenants described above) of ours under the terms of the Senior Notes, and continuance of such default or breach for a period of 30 days after the earlier of (1) a responsible officer obtaining actual knowledge of such default and (2) our receipt of written notice of such default from any holder of such Senior Notes;

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certain voluntary or involuntary proceedings involving us and relating to bankruptcy, insolvency or other similar laws;

KAFA or one of its affiliates is no longer our investment adviser;

if, on the last business day of each of twenty-four consecutive calendar months, the debt securities have a 1940 Act asset coverage of less than 100%;

other defaults with respect to Borrowings in an aggregate principal amount of at least \$5 million, including payment defaults and any other default that would cause (or permit the holders of such Borrowings to declare) such Borrowings to be due prior to stated maturity;

if our representations and warranties or any representations and warranties of our officers made in connection with transaction relating to the issuance of the Senior Notes prove to have been materially false or incorrect when made; or

other certain events of default provided with respect to the Senior Notes that are typical for Borrowings of this type.

Upon the occurrence and continuance of an event of default, the holders of a majority in principal amount of a series of outstanding Senior Notes may declare the principal amount of that series of Senior Notes immediately due and payable upon written notice to us. Upon an event of default relating to bankruptcy, insolvency or other similar laws, acceleration of maturity occurs automatically with respect to all series of Senior Notes. At any time after a declaration of acceleration with respect to a series of Senior Notes has been made, and before a judgment or decree for payment of the money due has been obtained, the holders of a majority in principal amount of the outstanding Senior Notes of that series, by written notice to us, may rescind and annul the declaration of acceleration and its consequences if all events of default with respect to that series of Senior Notes, other than the non-payment of the principal of, and interest and certain other premiums relating to, that series of Senior Notes which has become due solely by such declaration of acceleration, have been cured or waived and other conditions have been met.

Liquidation Rights. In the event of (a) any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection therewith, relative to us or to our creditors, as such, or to our assets, or (b) any liquidation, dissolution or other winding up of us, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy, or (c) any assignment for the benefit of creditors or any other marshalling of assets and liabilities of ours, then (after any payments with respect to any secured creditor of ours outstanding at such time) and in any such event the holders of our Senior Notes shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all debt securities (including any interest accruing thereon after the commencement of any such case or proceeding), or provision shall be made for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of our Senior Notes, before the holders of any of our common or preferred stock are entitled to receive any payment on account of any redemption proceeds, liquidation preference or dividends from such shares. The holders of our Senior Notes shall be entitled to receive, for application to the payment thereof, any payment or distribution of any kind or character, whether in cash, property or securities, including any such payment or distribution which may be payable or deliverable by reason of the payment of any other indebtedness of ours being subordinated to the payment of our Senior Notes, which may be payable or deliverable in respect of our Senior Notes in any such case, proceeding, dissolution, liquidation or other winding up event.

Unsecured creditors of ours may include, without limitation, service providers including our Adviser, custodian, administrator, broker-dealers and the trustee, pursuant to the terms of various contracts with us. Secured creditors of ours may include without limitation parties entering into any interest rate swap, floor or cap transactions, or other similar transactions with us that create liens, pledges, charges, security interests, security agreements or other encumbrances on our assets.

A consolidation, reorganization or merger of us with or into any other company, or a sale, lease or exchange of all or substantially all of our assets in consideration for the issuance of equity securities of another company shall not be deemed to be a liquidation, dissolution or winding up of us.

Voting Rights. Our Senior Notes have no voting rights, except to the extent required by law or as otherwise provided in the terms of the Senior Notes relating to the acceleration of maturity upon the occurrence and continuance of an event of default. In connection with any other borrowings (if any), the 1940 Act does in certain circumstances grant to the lenders certain voting rights in the event of default in the payment of

interest on or repayment of principal.

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Market. Our Senior Notes are not listed on an exchange or automated quotation system.

Paying Agent. The Bank of New York Mellon Trust Company, N.A., 601 Travis Street, 16th Floor, Houston, Texas 77002, shall serve as the paying agent with respect to all of our Senior Notes.

Revolving Credit Facility

As of September 30, 2013, we had \$22 million borrowed on our revolving credit facility. Our revolving credit facility has a term of three years and matures on March 4, 2016. Amounts repaid under our credit facility will remain available for future borrowings. Outstanding balances under the credit facility accrue interest daily at a rate equal to the one-month LIBOR plus 1.60% per annum based on current asset coverage ratios. The interest rate may vary between LIBOR plus 1.60% and LIBOR plus 2.25% depending on asset coverage ratios. We pay a fee equal to a rate of 0.30% per annum on any unused amounts of the credit facility.

Certain Provisions of the Maryland General Corporation Law and our Charter and Bylaws

The Maryland General Corporation Law and our Charter and Bylaws contain provisions that could make it more difficult for a potential acquiror to acquire us by means of a tender offer, proxy contest or otherwise. These provisions are expected to discourage certain coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to negotiate first with our Board of Directors. We believe the benefits of these provisions outweigh the potential disadvantages of discouraging any such acquisition proposals because, among other things, the negotiation of such proposals may improve their terms. We have not elected to become subject to the Maryland Control Share Acquisition Act.

Classified Board of Directors. Our Board of Directors is divided into three classes of directors serving staggered three-year terms. The current terms for the first, second and third classes will expire in 2015, 2016 and 2014, respectively. Upon expiration of their current terms, directors of each class will be elected to serve for three-year terms and until their successors are duly elected and qualify and each year one class of directors will be elected by the stockholders. A classified board may render a change in control of us or removal of our incumbent management more difficult. We believe, however, that the longer time required to elect a majority of a classified Board of Directors will help to ensure the continuity and stability of our management and policies.

Election of Directors. Our Charter and Bylaws provide that the affirmative vote of the holders of a majority of the outstanding shares of stock entitled to vote in the election of directors will be required to elect a director. Pursuant to our Charter, our Board of Directors may amend the Bylaws to alter the vote required to elect directors.

Number of Directors; Vacancies; Removal. Our Charter provides that the number of directors will be set only by the Board of Directors in accordance with our Bylaws. Our Bylaws provide that a majority of our entire Board of Directors may at any time increase or decrease the number of directors. However, the number of directors may never be less than the minimum number required by the Maryland General Corporation Law or, unless our Bylaws are amended, more than fifteen. Under our Charter, we have elected to be subject to the provision of Subtitle 8 of Title 3 of the Maryland General Corporation Law regarding the filling of vacancies on the Board of Directors. Accordingly, except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is elected and qualifies, subject to any applicable requirements of the 1940 Act.

Our Charter provides that, subject to the rights of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed only for cause, as defined in the Charter, and then only by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors.

Action by Stockholders. Under the Maryland General Corporation Law, stockholder action can be taken only at an annual or special meeting of stockholders or (except for certain instances for our preferred stockholders) unless the charter provides for stockholder action by less than unanimous written consent (which is not the case for our Charter), by unanimous

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written consent in lieu of a meeting. These provisions, combined with the requirements of our Bylaws regarding the calling of a stockholder-requested special meeting of stockholders discussed below, may have the effect of delaying consideration of a stockholder proposal until the next annual meeting.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals. Our Bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) by a stockholder who was a stockholder of record both at the time of giving notice and at the time of the meeting, who is entitled to vote at the meeting and who has complied with the advance notice procedures of the Bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the Board of Directors at a special meeting may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) provided that the Board of Directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the Bylaws.

Advance Notice Provisions for Stockholder Nominations and Stockholder Proposals. Our Bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the Bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the Board of Directors at a special meeting may be made only (1) pursuant to our notice of the meeting, (2) by the Board of Directors or (3) provided that the Board of Directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the Bylaws.

Calling of Special Meetings of Stockholders. Our Bylaws provide that special meetings of stockholders may be called by our Board of Directors and certain of our officers. Additionally, our Bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the stockholders requesting the meeting, a special meeting of stockholders will be called by the secretary of the corporation upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

Approval of Extraordinary Corporate Action; Amendment of Charter and Bylaws. Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our Charter generally provides for approval of Charter amendments and extraordinary transactions by the stockholders entitled to cast at least a majority of the votes entitled to be cast on the matter. Our Charter also provides that certain Charter amendments, including but not limited to any charter amendment that would make our stock a redeemable security (within the meaning of the 1940 Act) or would cause us, whether by merger or otherwise, to convert from a closed-end company to an open-end company, and any proposal for our liquidation or dissolution, requires the approval of the stockholders entitled to cast at least 80% of the votes entitled to be cast on such matter. However, if such amendment or proposal is approved by at least 80% of our continuing directors (in addition to approval by our Board of Directors), such amendment or proposal may be approved by a majority of the votes entitled to be cast on such a matter. The continuing directors are defined in our Charter as our current directors as well as those directors whose nomination for election by the stockholders or whose election by the directors to fill vacancies is approved by a majority of the continuing directors then on the Board of Directors. Our Charter and Bylaws provide that the Board of Directors will have the exclusive power to adopt, alter or repeal any provision of our Bylaws and to make new Bylaws.

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EXPERTS

Our financial statements included in our Annual Report to Stockholders for the fiscal year ended November 30, 2012, incorporated by reference into this prospectus, have been audited by PricewaterhouseCoopers LLP, independent registered public accounting firm, as set forth in their report thereon incorporated by reference herein, and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing. PricewaterhouseCoopers LLP provides auditing services to us. The principal business address of PricewaterhouseCoopers LLP is 601 South Figueroa, Los Angeles, California 90017.

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**UNAUDITED FINANCIAL STATEMENTS AS OF AND FOR THE NINE MONTHS ENDED
AUGUST 31, 2013 AND FINANCIAL HIGHLIGHTS FOR THE PERIOD SEPTEMBER 28, 2004
THROUGH NOVEMBER 30, 2004 AND FOR THE FISCAL YEARS ENDED
NOVEMBER 30, 2005 THROUGH 2012**

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS: This report of Kayne Anderson MLP Investment Company (the Company) contains forward-looking statements as defined under the U.S. federal securities laws. Generally, the words believe, expect, intend, estimate, anticipate, project, will and similar expressions identify forward-looking statements, which generally are not historical in nature. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to materially differ from the Company's historical experience and its present expectations or projections indicated in any forward-looking statements. These risks include, but are not limited to, changes in economic and political conditions; regulatory and legal changes; master limited partnership industry risk; leverage risk; valuation risk; interest rate risk; tax risk; and other risks discussed in the Company's filings with the Securities and Exchange Commission (SEC). You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. The Company undertakes no obligation to update or revise any forward-looking statements made herein. There is no assurance that the Company's investment objectives will be attained.

Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****MANAGEMENT DISCUSSION****(UNAUDITED)****Company Overview**

Kayne Anderson MLP Investment Company is a non-diversified, closed-end fund that commenced operations in September 2004. Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in energy-related master limited partnerships and their affiliates (MLPs) and in other companies that operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies).

As of August 31, 2013, we had total assets of \$5.9 billion, net assets applicable to our common stock of \$3.3 billion (net asset value of \$33.01 per share), and 99.7 million shares of common stock outstanding.

Our investments are principally in equity securities issued by MLPs, but we also may invest in debt securities of MLPs and debt/equity securities of Midstream Energy Companies. As of August 31, 2013, we held \$5.9 billion in equity investments and no debt investments.

Recent Events

On August 22, 2013, we completed an offering of \$175 million of senior unsecured floating rate notes (the Series HH Senior Notes) to qualified institutional buyers in a private offering pursuant to Rule 144A under the Securities Act of 1933, as amended (the Securities Act). The Series HH Senior Notes mature on August 19, 2016 and pay interest at a rate of 3-month LIBOR plus 1.25% per annum. The net proceeds from this offering were used to make new portfolio investments, to repay outstanding indebtedness and for general corporate purposes.

On September 16, 2013, we completed a public offering of Series G mandatory redeemable preferred stock with a \$50 million liquidation value. The Series G shares pay cash dividends at a rate of 4.60% per annum. The net proceeds from this offering were used to make new portfolio investments, to repay indebtedness, and for general corporate purposes.

On September 24, 2013, we commenced an at-the-market offering of shares of common stock having an aggregate sales price of up to \$50 million.

Our Top Ten Portfolio Investments as of August 31, 2013

Listed below are our top ten portfolio investments by issuer as of August 31, 2013.

1. Enterprise Products Partners L.P.	Midstream MLP	\$ 526.9	9.0%
2. MarkWest Energy Partners, L.P.	Midstream MLP	359.8	6.1
3. Plains All American Pipeline, L.P.	Midstream MLP	349.0	5.9
4. Williams Partners L.P.	Midstream MLP	334.9	5.7
5. Kinder Morgan Management, LLC	Midstream MLP	315.5	5.4
6. Energy Transfer Partners, L.P.	Midstream MLP	275.9	4.7
7. Regency Energy Partners LP	Midstream MLP	237.8	4.0
8. DCP Midstream Partners, LP	Midstream MLP	232.2	4.0
9. Kinder Morgan Energy Partners, LP	Midstream MLP	202.7	3.5
10. ONEOK Partners, L.P.	Midstream MLP	193.7	3.3

\$ 3,028.4

51.6%

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KAYNE ANDERSON MLP INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

Results of Operations For the Three Months Ended August 31, 2013

Investment Income. Investment income totaled \$10.0 million for the quarter and consisted primarily of net dividends and distributions on our investments. We received \$80.2 million of dividends and distributions, of which \$69.6 million was treated as return of capital and \$0.8 million were distributions in excess of cost basis. Return of capital was increased by \$0.3 million due to the 2012 tax reporting information that we received in the fiscal third quarter 2013. Interest and other income was \$0.3 million. We received \$6.4 million of paid-in-kind dividends during the quarter, which are not included in investment income, but are reflected as an unrealized gain.

Operating Expenses. Operating expenses totaled \$35.3 million, including \$19.3 million of net investment management fees, \$10.3 million of interest expense (including non-cash amortization of debt offering costs of \$0.5 million), and \$1.1 million of other operating expenses. Preferred stock distributions for the quarter were \$4.7 million (including non-cash amortization of offering costs of \$0.2 million).

Net Investment Loss. Our net investment loss totaled \$17.3 million and included a current tax benefit of \$2.4 million and deferred income tax benefit of \$5.6 million.

Net Realized Gains. We had net realized gains from our investments of \$70.5 million, net of \$10.8 million of current tax expense and \$29.9 million of deferred tax expense.

Net Change in Unrealized Gains. We had a net decrease in our unrealized gains of \$0.1 million. The net change consisted of a \$1.9 million decrease in our unrealized gains on investments and a deferred tax benefit of \$1.8 million.

Net Increase in Net Assets Resulting from Operations. We had an increase in net assets resulting from operations of \$53.1 million. This increase was comprised of a net investment loss of \$17.3 million, net realized gains of \$70.5 million and net decrease in unrealized gains of \$0.1 million, as noted above.

Distributions to Common Stockholders

We pay quarterly distributions to our common stockholders, funded generally by net distributable income (NDI) generated from our portfolio investments. NDI is the amount of income received by us from our portfolio investments less operating expenses, subject to certain adjustments as described below. NDI is not a financial measure under the accounting principles generally accepted in the United States of America (GAAP). Refer to the Reconciliation of NDI to GAAP section below for a reconciliation of this measure to our results reported under GAAP.

Income from portfolio investments includes (a) cash dividends and distributions, (b) paid-in-kind dividends received (i.e., stock dividends), (c) interest income from debt securities and commitment fees from private investments in public equity (PIPE investments) and (d) net premiums received from the sale of covered calls.

Operating expenses include (a) investment management fees paid to our investment adviser, (b) other expenses (mostly comprised of fees paid to other service providers), (c) interest expense and preferred stock distributions and (d) current and deferred income tax expense/benefit on net investment income/loss.

Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****MANAGEMENT DISCUSSION****(UNAUDITED)****Net Distributable Income (NDI)**

(amounts in millions, except for per share amounts)

	Three Months Ended August 31, 2013
Distributions and Other Income from Investments	
Dividends and Distributions ⁽¹⁾	\$ 80.2
Paid-In-Kind Dividends and Distributions ⁽¹⁾	6.4
Interest and Other Income	0.3
Net Premiums Received from Call Options Written	0.7
Total Distributions and Other Income from Investments	87.6
Expenses	
Investment Management Fee	(19.3)
Other Expenses	(1.1)
Interest Expense	(9.8)
Preferred Stock Distributions	(4.5)
Income Tax Benefit	8.0
Net Distributable Income (NDI)	\$ 60.9
Weighted Shares Outstanding	96.9
NDI per Weighted Share Outstanding	\$ 0.629
Adjusted NDI per Weighted Share Outstanding⁽²⁾	\$ 0.629
Distributions paid per Common Share⁽³⁾	\$ 0.595

(1) See Note 2 (Investment Income) to the Financial Statements for additional information regarding paid-in-kind and non-cash dividends and distributions.

(2) Pacific Coast Oil Trust pays monthly dividends, but due to the timing of its ex-dividend dates, the Company only received two dividends during its third fiscal quarter. Adjusted NDI includes the third monthly dividend attributable to the Company's third fiscal quarter (\$0.1 million adjustment).

(3) The distribution of \$0.595 per share for the third quarter of fiscal 2013 was paid on October 11, 2013.

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Payment of future distributions is subject to Board of Directors approval, as well as meeting the covenants of our debt agreements and terms of our preferred stock. In determining our quarterly distribution to common stockholders, our Board of Directors considers a number of factors that include, but are not limited to:

NDI and Adjusted NDI generated in the current quarter;

Expected NDI over the next twelve months; and

Realized and unrealized gains generated by the portfolio.

On September 18, 2013, we declared a quarterly distribution of \$0.595 per common share for the third quarter of fiscal 2013 (a total distribution of \$59.4 million). The distribution represents an increase of 2.6% from the prior quarter's distribution and an increase of 10.7% from the distribution for the quarter ended August 31, 2012. The distribution was paid on October 11, 2013 to common stockholders of record on October 4, 2013.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

Reconciliation of NDI to GAAP

The difference between distributions and other income from investments in the NDI calculation and total investment income as reported in our Statement of Operations is reconciled as follows:

GAAP recognizes that a significant portion of the cash distributions received from MLPs is characterized as a return of capital and therefore excluded from investment income, whereas the NDI calculation includes the return of capital portion of such distributions.

GAAP recognizes distributions, received from MLPs, that exceed the cost basis of our securities to be realized gains and are therefore excluded from investment income, whereas the NDI calculation includes these distributions.

NDI includes the value of paid-in-kind dividends, whereas such amounts are not included as investment income for GAAP purposes, but rather are recorded as unrealized gains upon receipt.

NDI includes commitment fees from PIPE investments, whereas such amounts are generally not included in investment income for GAAP purposes, but rather are recorded as a reduction to the cost of the investment.

Certain of our investments in debt securities were purchased at a discount or premium to the par value of such security. When making such investments, we consider the security's yield to maturity, which factors in the impact of such discount (or premium). Interest income reported under GAAP includes the non-cash accretion of the discount (or amortization of the premium) based on the effective interest method. When we calculate interest income for purposes of determining NDI, in order to better reflect the yield to maturity, the accretion of the discount (or amortization of the premium) is calculated on a straight-line basis to the earlier of the expected call date or the maturity of the debt security.

We may sell covered call option contracts to generate income or to reduce our ownership of certain securities that we hold. In some cases, we are able to repurchase these call option contracts at a price less than the fee that we received, thereby generating a profit. The premium we receive from selling call options, less (i) the premium that we pay to repurchase such call option contracts and (ii) the amount by which the market price of an underlying security is above the strike price at the time a new call option is written (if any), is included in NDI. For GAAP purposes, premiums received from call option contracts sold are not included in investment income. See Note 2 Significant Accounting Policies for a full discussion of the GAAP treatment of option contracts.

The treatment of expenses included in NDI also differs from what is reported in the Statement of Operations as follows:

The non-cash amortization or write-offs of capitalized debt issuance costs and preferred stock offering costs related to our financings is included in interest expense and distributions on mandatory redeemable preferred stock for GAAP purposes, but is excluded from our calculation of NDI.

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NDI also includes recurring payments (or receipts) on interest rate swap contracts (excluding termination payments) whereas for GAAP purposes, these amounts are included in the realized gains/losses section of the Statement of Operations.

Liquidity and Capital Resources

Total leverage outstanding at August 31, 2013 of \$1,587 million was comprised of \$1,175 million of senior unsecured notes (Senior Notes), \$13 million outstanding under our unsecured revolving credit facility (the

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KAYNE ANDERSON MLP INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

Credit Facility) and \$399 million of mandatory redeemable preferred stock. Total leverage represented 27% of total assets at August 31, 2013. As of October 17, 2013, we had \$54 million borrowed under our Credit Facility, and we had \$0.4 million of cash.

At August 31, 2013, our Credit Facility had a total commitment of \$250 million and matures on March 4, 2016. The interest rate varies between LIBOR plus 1.60% and LIBOR plus 2.25%, depending on our asset coverage ratios. Outstanding loan balances accrue interest daily at a rate equal to one-month LIBOR plus 1.60% based on current asset coverage ratios. We pay a fee of 0.30% per annum on any unused amounts of the Credit Facility. A full copy of our Credit Facility is available on our website, www.kaynefunds.com.

We had \$1,175 million of Senior Notes outstanding at August 31, 2013. The Senior Notes mature between 2014 and 2025. On August 22, 2013, we completed an offering for \$175 million of Series HH Senior Notes to qualified institutional buyers in a private offering pursuant to Rule 144A under the Securities Act. The Series HH Senior Notes mature on August 19, 2016. The net proceeds from the offering were used to make new portfolio investments, to repay outstanding indebtedness and for general corporate purposes.

As of August 31, 2013, we had \$399 million of mandatory redeemable preferred stock outstanding. The mandatory redeemable preferred stock outstanding is subject to mandatory redemption at various dates from 2017 through 2021. On September 16, 2013, we completed a public offering of \$50 million of Series G mandatory redeemable preferred stock with a mandatory redemption date of October 1, 2021. The net proceeds from the offering were used to make new portfolio investments, to repay indebtedness, and for general corporate purposes.

At August 31, 2013, our asset coverage ratios under the Investment Company Act of 1940, as amended (the 1940 Act), were 411% for debt and 307% for total leverage (debt plus preferred stock). Our long-term target asset coverage ratio with respect to our debt is 375%, but at times we may be above or below our target depending on market conditions.

As of August 31, 2013, our total leverage consisted of both fixed rate (78%) and floating rate (22%) obligations. At such date, the weighted average interest/dividend rate on our total leverage was 3.6%.

Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****SCHEDULE OF INVESTMENTS****AUGUST 31, 2013****(amounts in 000 s, except number of option contracts)****(UNAUDITED)**

Description	No. of Shares/Units	Value
Long-Term Investments 178.5%		
Equity Investments⁽¹⁾ 178.5%		
Midstream MLP⁽²⁾ 148.1%		
Access Midstream Partners, L.P.	2,598	\$ 118,495
Atlas Pipeline Partners, L.P.	1,360	52,753
Buckeye Partners, L.P.	1,249	87,453
Buckeye Partners, L.P. Class B Units ⁽³⁾⁽⁴⁾⁽⁵⁾	984	68,855
Crestwood Midstream Partners LP	4,354	112,949
Crosstex Energy, L.P.	5,563	104,136
DCP Midstream Partners, LP	4,845	232,202
El Paso Pipeline Partners, L.P.	4,143	172,891
Enbridge Energy Management, L.L.C. ⁽⁴⁾	236	7,081
Enbridge Energy Partners, L.P.	6,249	186,339
Energy Transfer Partners, L.P. ⁽⁶⁾	5,382	275,921
Enterprise Products Partners L.P. ⁽⁶⁾	8,868	526,928
Global Partners LP	2,050	69,259
Inergy, L.P.	4,329	59,481
Inergy Midstream, L.P.	5,790	134,564
Kinder Morgan Energy Partners, LP	2,486	202,727
Kinder Morgan Management, LLC ⁽⁴⁾	3,952	315,546
Magellan Midstream Partners, L.P.	2,705	146,747
MarkWest Energy Partners, L.P. ⁽⁷⁾	5,387	359,798
Niska Gas Storage Partners LLC	2,012	28,470
NuStar Energy L.P.	1,369	57,100
ONEOK Partners, L.P.	3,907	193,724
Phillips 66 Partners LP ⁽⁸⁾	181	5,572
Plains All American Pipeline, L.P. ⁽⁷⁾	6,902	348,955
PVR Partners, L.P. ⁽⁷⁾	5,169	119,981
QEP Midstream Partners, LP ⁽⁸⁾	519	11,755
Regency Energy Partners LP	8,797	237,772
Rose Rock Midstream, L.P.	24	787
Summit Midstream Partners, LP	1,003	33,091
Sunoco Logistics Partners L.P.	164	10,555
Tallgrass Energy Partners, LP	161	3,658
Targa Resources Partners L.P.	2,304	112,593
Tesoro Logistics LP	526	28,191
Western Gas Partners, LP	1,899	112,289
Williams Partners L.P.	6,790	334,947
		4,873,565

Midstream 9.4%

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Kinder Morgan, Inc.	1,447	54,877
ONEOK, Inc.	1,610	82,808
Plains All American GP LLC Unregistered ⁽⁷⁾	24	108,280
Targa Resources Corp.	308	20,946
The Williams Companies, Inc.	1,185	42,944
		309,855

See accompanying notes to financial statements.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****SCHEDULE OF INVESTMENTS****AUGUST 31, 2013****(amounts in 000 s, except number of option contracts)****(UNAUDITED)**

Description	No. of Shares/Units	Value
Shipping MLP 7.5%		
Capital Product Partners L.P.	2,841	\$ 25,170
Capital Products Partners L.P. Class B Units ⁽³⁾⁽⁹⁾	3,030	28,758
Golar LNG Partners LP	939	30,528
KNOT Offshore Partners LP	384	9,223
Navios Maritime Partners L.P.	1,286	18,145
Teekay LNG Partners L.P.	1,130	47,531
Teekay Offshore Partners L.P.	2,715	86,269
		245,624
Upstream MLP & Income Trust 4.7%		
BreitBurn Energy Partners L.P.	2,190	38,689
EV Energy Partners, L.P.	238	8,690
Legacy Reserves L.P.	682	18,388
LRR Energy, L.P.	317	4,769
Mid-Con Energy Partners, LP	2,127	50,696
Pacific Coast Oil Trust	578	10,502
SandRidge Mississippian Trust II	593	7,922
SandRidge Permian Trust	678	9,873
VOC Energy Trust	282	4,309
		153,838
General Partner MLP 4.1%		
Alliance Holdings GP L.P.	1,935	118,891
NuStar GP Holdings, LLC	320	7,574
Western Gas Equity Partners, LP	250	9,853
		136,318
Other 4.7%		
Alliance Resource Partners, L.P.	153	11,529
Clearwater Trust ⁽³⁾⁽⁷⁾⁽¹⁰⁾	N/A	2,110
Emerge Energy Services LP ⁽⁷⁾	267	7,694
Exterran Partners, L.P.	2,664	74,396
Natural Resource Partners L.P.	85	1,658
PetroLogistics LP	893	10,725
SunCoke Energy Partners, L.P.	997	22,955
USA Compression Partners, LP	964	23,612
		154,679

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Total Equity Investments (Cost \$3,546,213)	5,873,879
Liabilities	
Credit Facility	(13,000)
Senior Unsecured Notes	(1,175,000)
Mandatory Redeemable Preferred Stock at Liquidation Value	(399,000)
Current Tax Liability	(8,314)
Deferred Tax Liability	(973,375)
Other Liabilities	(34,768)
Total Liabilities	(2,603,457)
Other Assets	20,915
Total Liabilities in Excess of Other Assets	(2,582,542)
Net Assets Applicable to Common Stockholders	\$ 3,291,337

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

SCHEDULE OF INVESTMENTS

AUGUST 31, 2013

(amounts in 000 s, except number of option contracts)

(UNAUDITED)

- (1) Unless otherwise noted, equity investments are common units/common shares.
- (2) Includes limited liability companies.
- (3) Fair valued securities, restricted from public sale. See Notes 2, 3 and 7 in Notes to Financial Statements.
- (4) Distributions are paid-in-kind.
- (5) On September 1, 2013, all of the Buckeye Partners, L.P. Class B Units were converted into common units on a one-for-one basis. As of August 31, 2013, the Company valued the Class B Units at the same price as the common units.
- (6) In lieu of cash distributions, the Company has elected to receive distributions in additional units through the partnership's dividend reinvestment program.
- (7) The Company believes that it is an affiliate of Clearwater Trust, Emerge Energy Services LP, MarkWest Energy Partners, L.P., PVR Partners, L.P., Plains All American Pipeline, L.P. and Plains All American GP LLC. See Note 5 Agreements and Affiliations.
- (8) Security is not currently paying cash distributions but is expected to pay cash distributions within the next 12 months.
- (9) Class B Units are convertible on a one-for-one basis into common units of Capital Product Partners L.P. (CPLP) and are senior to the common units in terms of liquidation preference and priority of distributions. The Class B Units pay quarterly cash distributions of \$0.21375 per unit and are convertible at any time at the option of the holder. If CPLP increases the quarterly cash distribution per common unit, the distribution per Class B Unit will increase by an equal amount. If CPLP does not redeem the Class B Units by May 2022, then the distribution increases by 25% per quarter to a maximum of \$0.33345 per unit. CPLP may require that the Class B Units convert into common units after May 2015 if the common unit price exceeds \$11.70 per unit, and the Class B Units are callable after May 2017 at a price of \$9.27 per unit and after May 2019 at \$9.00 per unit.
- (10) The Company owns an interest in the Creditors Trust of Miller Bros. Coal, LLC (Clearwater Trust) consisting of a coal royalty interest. See Notes 5 and 7 in Notes to Financial Statements.

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See accompanying notes to financial statements.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****STATEMENT OF ASSETS AND LIABILITIES****AUGUST 31, 2013****(amounts in 000 s, except share and per share amounts)****(UNAUDITED)****ASSETS**

Investments at fair value:	
Non-affiliated (Cost \$3,184,588)	\$ 4,927,061
Affiliated (Cost \$361,625)	946,818
Total investments (Cost \$3,546,213)	5,873,879
Cash	2,407
Deposits with brokers	254
Receivable for securities sold	3,771
Interest, dividends and distributions receivable	672
Deferred debt and preferred stock offering costs and other assets	13,811
Total Assets	5,894,794

LIABILITIES

Payable for securities purchased	3,820
Investment management fee payable	19,275
Accrued directors' fees and expenses	94
Accrued expenses and other liabilities	11,579
Current tax liability	8,314
Deferred tax liability	973,375
Credit facility	13,000
Senior unsecured notes	1,175,000
Mandatory redeemable preferred stock, \$25.00 liquidation value per share (15,960,000 shares issued and outstanding)	399,000
Total Liabilities	2,603,457

NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS \$ 3,291,337**NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS CONSIST OF**

Common stock, \$0.001 par value (99,717,411 shares issued and outstanding, 184,040,000 shares authorized)	\$ 100
Paid-in capital	2,093,428
Accumulated net investment loss, net of income taxes, less dividends	(728,908)
Accumulated realized gains on investments, options, and interest rate swap contracts, net of income taxes	463,137
Net unrealized gains on investments and options, net of income taxes	1,463,580

NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS \$ 3,291,337**NET ASSET VALUE PER COMMON SHARE** \$ 33.01

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See accompanying notes to financial statements.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****STATEMENT OF OPERATIONS**

(amounts in 000 s)

(UNAUDITED)

	For the Three Months Ended August 31, 2013	For the Nine Months Ended August 31, 2013
INVESTMENT INCOME		
Income		
Dividends and distributions:		
Non-affiliated investments	\$ 67,673	\$ 186,003
Affiliated investments	12,482	35,963
Total dividends and distributions	80,155	221,966
Return of capital	(69,603)	(190,864)
Distributions in excess of cost basis	(792)	(2,298)
Net dividends and distributions	9,760	28,804
Interest and other income	275	275
Total Investment Income	10,035	29,079
Expenses		
Investment management fees, before investment management fee waiver	19,642	53,271
Administration fees	255	710
Professional fees	169	458
Custodian fees	168	409
Reports to stockholders	137	336
Directors' fees and expenses	105	291
Insurance	59	175
Other expenses	211	644
Total Expenses before waivers, interest expense, preferred distributions and taxes	20,746	56,294
Investment management fee waiver	(368)	(620)
Interest expense and amortization of offering costs	10,258	30,429
Distributions on mandatory redeemable preferred stock and amortization of offering costs	4,721	17,116
Total Expenses before taxes	35,357	103,219
Net Investment Loss Before taxes	(25,322)	(74,140)
Current tax benefit	2,406	2,406
Deferred tax benefit	5,629	19,953
Net Investment Loss	(17,287)	(51,781)
REALIZED AND UNREALIZED GAINS		
Net Realized Gains		
Investments non-affiliated	109,433	271,036

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Investments affiliated	968	470
Options	815	1,612
Interest rate swap contracts		32
Current tax expense	(10,827)	(10,827)
Deferred tax expense	(29,869)	(89,785)
Net Realized Gains	70,520	172,538
Net Change in Unrealized Gains		
Investments non-affiliated	4,398	493,393
Investments affiliated	(6,359)	184,223
Options	38	(27)
Deferred tax benefit (expense)	1,840	(249,582)
Net Change in Unrealized Gains	(83)	428,007
Net Realized and Unrealized Gains	70,437	600,545
NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM OPERATIONS	\$ 53,150	\$ 548,764

See accompanying notes to financial statements.

Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****STATEMENT OF CHANGES IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS**

(amounts in 000 s, except share amounts)

	For the Nine Months Ended August 31, 2013 (Unaudited)	For the Fiscal Year Ended November 30, 2012
OPERATIONS		
Net investment loss, net of tax ⁽¹⁾	\$ (51,781)	\$ (58,611)
Net realized gains, net of tax	172,538	94,944
Net change in unrealized gains, net of tax	428,007	235,058
Net Increase in Net Assets Resulting from Operations	548,764	271,391
DIVIDENDS AND DISTRIBUTIONS TO COMMON STOCKHOLDERS⁽¹⁾		
Dividends	(155,412) ⁽²⁾	(127,330) ⁽³⁾
Distributions return of capital	(2)	(45,115) ⁽³⁾
Dividends and Distributions to Common Stockholders	(155,412)	(172,445)
CAPITAL STOCK TRANSACTIONS		
Issuance of common stock offering of 10,743,995 and 12,500,000 shares of common stock, respectively	374,788	385,075
Underwriting discounts and offering expenses associated with the issuance of common stock	(15,287)	(16,085)
Issuance of 542,003 and 801,204 newly issued shares of common stock from reinvestment of dividends and distributions, respectively	17,663	23,282
Net Increase in Net Assets Applicable to Common Stockholders from Capital Stock Transactions	377,164	392,272
Total Increase in Net Assets Applicable to Common Stockholders	770,516	491,218
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS		
Beginning of period	2,520,821	2,029,603
End of period	\$ 3,291,337	\$ 2,520,821

- (1) Distributions on the Company's mandatory redeemable preferred stock are treated as an operating expense under GAAP and are included in the calculation of net investment loss. See Note 2 Significant Accounting Policies. The Company estimates that the distribution in the amount of \$14,606 paid to mandatory redeemable preferred stockholders during the nine months ended August 31, 2013 will be characterized as a dividend (qualified dividend income). This estimate is based solely on the Company's operating results during the period and does not reflect the expected results during the fiscal year. The actual characterization of the mandatory redeemable preferred stock distributions made during the period will not be determinable until after the end of the fiscal year when the Company can determine earnings and profits. Therefore, the characterization may differ from the preliminary estimates. Distributions in the amount of \$17,409 paid to mandatory redeemable preferred stockholders for the fiscal year ended November 30, 2012 were characterized as qualified dividend income. This characterization is based on the Company's earnings and profits.

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- (2) This is an estimate of the characterization of the distributions paid to common stockholders for the nine months ended August 31, 2013 as either a dividend (qualified dividend income) or distributions (return of capital). This estimate is based solely on the Company's operating results during the period and does not reflect the expected results during the fiscal year. The actual characterization of the common stock distributions made during the current year will not be determinable until after the end of the fiscal year when the Company can determine earnings and profits. Therefore, the characterization may differ from the preliminary estimates.
- (3) Distributions paid to common stockholders for the fiscal year ended November 30, 2012 are characterized as either dividends (qualified dividend income) or distributions (return of capital). This characterization is based on the Company's earnings and profits.

See accompanying notes to financial statements.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****STATEMENT OF CASH FLOWS****FOR THE NINE MONTHS ENDED AUGUST 31, 2013****(amounts in 000 s)****(UNAUDITED)**

CASH FLOWS FROM OPERATING ACTIVITIES	
Net increase in net assets resulting from operations	\$ 548,764
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Return of capital distributions	190,864
Net realized gains	(273,150)
Net unrealized gains	(677,616)
Purchase of long-term investments	(1,542,733)
Proceeds from sale of long-term investments	902,702
Increase in deposits with brokers	(38)
Decrease in receivable for securities sold	2,908
Increase in interest, dividends and distributions receivable	(584)
Amortization of deferred debt offering costs	1,561
Amortization of mandatory redeemable preferred stock offering costs	2,511
Decrease in other assets, net	94
Decrease in payable for securities purchased	(731)
Increase in investment management fee payable	4,088
Decrease in call option contracts written, net	(379)
Decrease in accrued expenses and other liabilities	(7,684)
Increase in current tax liability	7,775
Increase in deferred tax liability	319,413
Net Cash Used in Operating Activities	(522,235)
CASH FLOWS FROM FINANCING ACTIVITIES	
Decrease in borrowings under credit facility	(6,000)
Issuance of shares of common stock, net of offering costs	359,501
Proceeds from offering of senior unsecured notes	410,000
Proceeds from offering on mandatory redeemable preferred stock	125,000
Redemption of senior unsecured notes	(125,000)
Redemption of mandatory redeemable preferred stock	(100,000)
Costs associated with renewal of credit facility	(1,967)
Costs associated with offering of senior unsecured notes	(2,446)
Costs associated with offering of mandatory redeemable preferred stock	(2,815)
Cash distributions paid to common stockholders, net	(137,749)
Net Cash Provided by Financing Activities	518,524
NET DECREASE IN CASH	(3,711)
CASH BEGINNING OF PERIOD	6,118
CASH END OF PERIOD	\$ 2,407

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Supplemental disclosure of cash flow information:

Non-cash financing activities not included herein consisted of reinvestment of distributions of \$17,663 pursuant to the Company's dividend reinvestment plan.

During the nine months ended August 31, 2013, interest paid was \$36,772 and income tax paid was \$646.

The Company received \$30,798 of paid-in-kind and non-cash dividends and distributions during the nine months ended August 31, 2013. See Note 2 Significant Accounting Policies.

See accompanying notes to financial statements.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****FINANCIAL HIGHLIGHTS**

(amounts in 000 s, except share and per share amounts)

	For the Nine Months Ended August 31, 2013 (Unaudited)	2012	2011	2010	For the Fiscal Year Ended November 30,			2007	2006	2005	For the Period September 28, 2004 ⁽¹⁾ through November 30, 2004
Per Share of Common Stock⁽²⁾											
Net asset value, beginning of period	\$ 28.51	\$ 27.01	\$ 26.67	\$ 20.13	\$ 14.74	\$ 30.08	\$ 28.99	\$ 25.07	\$ 23.91	\$ 23.70 ⁽³⁾	
Net investment income (loss) ⁽⁴⁾	(0.55)	(0.71)	(0.69)	(0.44)	(0.33)	(0.73)	(0.73)	(0.62)	(0.17)	0.02	
Net realized and unrealized gain (loss)	6.68	4.27	2.91	8.72	7.50	(12.56)	3.58	6.39	2.80	0.19	
Total income (loss) from operations	6.13	3.56	2.22	8.28	7.17	(13.29)	2.85	5.77	2.63	0.21	
Dividends and distributions - auction rate preferred ⁽⁴⁾⁽⁵⁾					(0.01)	(0.10)	(0.10)	(0.10)	(0.05)		
Common dividends ⁽⁵⁾	(1.70)	(1.54)	(1.26)	(0.84)			(0.09)		(0.13)		
Common distributions - return of capital ⁽⁵⁾		(0.55)	(0.72)	(1.08)	(1.94)	(1.99)	(1.84)	(1.75)	(1.37)		
Total dividends and distributions - common	(1.70)	(2.09)	(1.98)	(1.92)	(1.94)	(1.99)	(1.93)	(1.75)	(1.50)		
Underwriting discounts and offering costs on the issuance of auction rate preferred stock										(0.03)	
Effect of issuance of common stock	0.06	0.02	0.09	0.16	0.12		0.26		0.11		
Effect of shares issued in reinvestment of distributions	0.01	0.01	0.01	0.02	0.05	0.04	0.01				
Total capital stock transactions	0.07	0.03	0.10	0.18	0.17	0.04	0.27		0.08		
Net asset value, end of period	\$ 33.01	\$ 28.51	\$ 27.01	\$ 26.67	\$ 20.13	\$ 14.74	\$ 30.08	\$ 28.99	\$ 25.07	\$ 23.91	
Market value per share of common stock, end of period	\$ 35.57	\$ 31.13	\$ 28.03	\$ 28.49	\$ 24.43	\$ 13.37	\$ 28.27	\$ 31.39	\$ 24.33	\$ 24.90	

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Total investment
return based on
common stock market
value⁽⁶⁾

20.3% ⁽⁷⁾	19.3%	5.6%	26.0%	103.0%	(48.8)%	(4.4)%	37.9%	3.7%	(0.4)% ⁽⁷⁾
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See accompanying notes to financial statements.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****FINANCIAL HIGHLIGHTS**

(amounts in 000 s, except share and per share amounts)

	For the Nine Months Ended August 31, 2013 (Unaudited)	For the Fiscal Year Ended November 30,								For the Fiscal Year Ended November 30, 2013
		2012	2011	2010	2009	2008	2007	2006	2005	
Balance Sheet Data and										
Assets applicable to common shareholders, end of period	\$ 3,291,337	\$ 2,520,821	\$ 2,029,603	\$ 1,825,891	\$ 1,038,277	\$ 651,156	\$ 1,300,030	\$ 1,103,392	\$ 932,090	\$ 1,000,000
Liabilities to common shareholders										
Assets										
Fees	2.4%	2.4%	2.4%	2.1%	2.1%	2.2%	2.3%	3.2%	1.2%	
Commissions	0.2	0.2	0.2	0.2	0.4	0.3	0.2	0.2	0.3	
Other	2.6	2.6	2.6	2.3	2.5	2.5	2.5	3.4	1.5	
Liabilities and equity on mandatory preferred										
Expense	2.2	2.4	2.3	1.9	2.5	3.4	2.3	1.7	0.8	
Other	15.0	7.2	4.8	20.5	25.4	(9)	3.5	13.8	6.4	
Total	19.8%	12.2%	9.7%	24.7%	30.4%	5.9%	8.3%	18.9%	8.7%	
Investment income to average net assets	(2.4)%	(2.5)%	(2.5)%	(1.8)%	(2.0)%	(2.8)%	(2.3)%	(2.4)%	(0.7)%	
(Increase) in common equity resulting from operations to average net assets	18.8% ⁽⁷⁾	11.6%	7.7%	34.6%	43.2%	(51.2)%	7.3%	21.7%	10.0%	
Cover rate	17.2% ⁽⁷⁾	20.4%	22.3%	18.7%	28.9%	6.7%	10.6%	10.0%	25.6%	
Assets	\$ 2,916,133	\$ 2,346,249	\$ 1,971,469	\$ 1,432,266	\$ 774,999	\$ 1,143,192	\$ 1,302,425	\$ 986,908	\$ 870,672	\$ 1,000,000
Preferred notes										
End of period	1,175,000	890,000	775,000	620,000	370,000	304,000	505,000	320,000	260,000	
Outstanding, beginning of period	13,000	19,000					97,000	17,000		
Preferred period					75,000	75,000	75,000	75,000	75,000	
Redeemable										
Other, end of period	399,000	374,000	260,000	160,000						
Assets of common shareholders	92,865,010	82,809,687	72,661,162	60,762,952	46,894,632	43,671,666	41,134,949	37,638,314	34,077,731	33,000,000
Equity of total	410.6%	418.5%	395.4%	420.3%	400.9%	338.9%	328.4%	449.7%	487.3%	
Equity of total	307.4%	296.5%	296.1%	334.1%	333.3%	271.8%	292.0%	367.8%	378.2%	
Equity and preferred										

Amount of
per share of
during the

\$	11.21	\$	10.80	\$	10.09	\$	7.70	\$	6.79	\$	11.52	\$	12.14	\$	8.53	\$	5.57
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See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

FINANCIAL HIGHLIGHTS

(amounts in 000 s, except share and per share amounts)

- (1) Commencement of operations.
- (2) Based on average shares of common stock outstanding.
- (3) Initial public offering price of \$25.00 per share less underwriting discounts of \$1.25 per share and offering costs of \$0.05 per share.
- (4) Distributions on the Company's mandatory redeemable preferred stock are treated as an operating expense under GAAP and are included in the calculation of net investment income (loss). See Note 2 Significant Accounting Policies.
- (5) The information presented for the nine months ended August 31, 2013 is an estimate of the characterization of the distribution paid and is based on the Company's operating results during the period. The information presented for each of the other periods is a characterization of the total distributions paid to preferred stockholders and common stockholders as either a dividend (eligible to be treated as qualified dividend) or a distribution (return of capital) and is based on the Company's earnings and profits.
- (6) Total investment return is calculated assuming a purchase of common stock at the market price on the first day and a sale at the current market price on the last day of the period reported. The calculation also assumes reinvestment of distributions at actual prices pursuant to the Company's dividend reinvestment plan.
- (7) Not annualized.
- (8) Unless otherwise noted, ratios are annualized.
- (9) For the fiscal year ended November 30, 2008, the Company accrued deferred income tax benefits of \$339,991 (29.7% of average net assets) primarily related to unrealized losses on investments. Realization of a deferred tax benefit was dependent on whether there would be sufficient taxable income of the appropriate character within the carryforward periods to realize a portion or all of the deferred tax benefit. Because it could not have been predicted whether the Company would incur a benefit in the future, a deferred income tax expense of 0% was assumed.
- (10) Calculated pursuant to section 18(a)(1)(A) of the 1940 Act. Represents the value of total assets less all liabilities not represented by Senior Notes or any other senior securities representing indebtedness and mandatory redeemable preferred stock divided by the aggregate amount of Senior Notes and any other senior securities representing indebtedness. Under the 1940 Act, the Company may not declare or make any distribution on its common stock nor can it incur additional indebtedness if, at the time of such declaration or incurrence, its asset coverage with respect to senior securities representing indebtedness would be less than 300%. For purposes of this test, the Credit Facility is considered a senior security representing indebtedness.

- (11) Calculated pursuant to section 18(a)(2)(A) of the 1940 Act. Represents the value of total assets less all liabilities not represented by Senior Notes, any other senior securities representing indebtedness and preferred stock divided by the aggregate amount of Senior Notes, any other senior securities representing indebtedness and preferred stock. Under the 1940 Act, the Company may not declare or make any distribution on its common stock nor can it issue additional preferred stock if at the time of such declaration or issuance, its asset coverage with respect to all senior securities would be less than 200%. In addition to the limitations under the 1940 Act, the Company, under the terms of its mandatory redeemable preferred stock, would not be able to declare or pay any distributions on its common stock if such declaration would cause its asset coverage with respect to all senior securities to be less than 225%. For purposes of these tests, the Credit Facility is considered a senior security representing indebtedness.

See accompanying notes to financial statements.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

(amounts in 000 s, except number of option contracts, share and per share amounts)

(UNAUDITED)

1. Organization

Kayne Anderson MLP Investment Company (the Company) was organized as a Maryland corporation on June 4, 2004, and is a non-diversified closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Company's investment objective is to obtain a high after-tax total return by investing at least 85% of its net assets plus any borrowings (total assets) in energy-related master limited partnerships and their affiliates (collectively, MLPs), and in other companies that, as their principal business, operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing of natural gas, natural gas liquids (including propane), crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies). The Company commenced operations on September 28, 2004. The Company's shares of common stock are listed on the New York Stock Exchange, Inc. (NYSE) under the symbol KYN.

2. Significant Accounting Policies

A. Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ materially from those estimates.

B. Reclassifications Certain prior year amounts in the accompanying financial statements have been reclassified to conform to the current year's presentation.

C. Cash and Cash Equivalents Cash and cash equivalents include short-term, liquid investments with an original maturity of three months or less and include money market fund accounts.

D. Calculation of Net Asset Value The Company determines its net asset value no less frequently than as of the last day of each month based on the most recent close of regular session trading on the NYSE, and makes its net asset value available for publication monthly. Currently, the Company calculates its net asset value on a weekly basis. Net asset value is computed by dividing the value of the Company's assets (including accrued interest and distributions and current and deferred income tax assets), less all of its liabilities (including accrued expenses, distributions payable, current and deferred accrued income taxes, and any borrowings) and the liquidation value of any outstanding preferred stock, by the total number of common shares outstanding.

E. Investment Valuation Readily marketable portfolio securities listed on any exchange other than the NASDAQ Stock Market, Inc. (NASDAQ) are valued, except as indicated below, at the last sale price on the business day as of which such value is being determined. If there has been no sale on such day, the securities are valued at the mean of the most recent bid and ask prices on such day. Securities admitted to trade on the NASDAQ are valued at the NASDAQ official closing price. Portfolio securities traded on more than one securities exchange are valued at the last sale price on the business day as of which such value is being determined at the close of the exchange representing the principal market for such securities.

Equity securities traded in the over-the-counter market, but excluding securities admitted to trading on the NASDAQ, are valued at the closing bid prices. Debt securities that are considered bonds are valued by using the mean of the bid and ask prices provided by an independent pricing service. For debt securities that are considered bank loans, the fair market value is determined by the mean of the bid and ask prices provided by the agent or syndicate bank or principal market maker. When price quotes are not available, fair market value will be based on prices of comparable securities. In certain cases, the Company may not be able to purchase or sell debt securities at the quoted prices due to the lack of liquidity for these securities.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

(amounts in 000 s, except number of option contracts, share and per share amounts)

(UNAUDITED)

Exchange-traded options and futures contracts are valued at the last sales price at the close of trading in the market where such contracts are principally traded or, if there was no sale on the applicable exchange on such day, at the mean between the quoted bid and ask price as of the close of such exchange.

The Company holds securities that are privately issued or otherwise restricted as to resale. For these securities, as well as any other portfolio security held by the Company for which reliable market quotations are not readily available, valuations are determined in a manner that most accurately reflects fair value of the security on the valuation date. Unless otherwise determined by the Board of Directors, the following valuation process is used for such securities:

Investment Team Valuation. The applicable investments are valued by senior professionals of KA Fund Advisors, LLC (KAFAs or the Adviser) who are responsible for the portfolio investments. The investments will be valued monthly with new investments valued at the time such investment was made.

Investment Team Valuation Documentation. Preliminary valuation conclusions will be determined by senior management of KAFAs. Such valuations and supporting documentation is submitted to the Valuation Committee (a committee of the Company's Board of Directors) or the Board of Directors on a quarterly basis.

Valuation Committee. The Valuation Committee meets to consider the valuations submitted by KAFAs at the end of each quarter. Between meetings of the Valuation Committee, a senior officer of KAFAs is authorized to make valuation determinations. All valuation determinations of the Valuation Committee are subject to ratification by the Board of Directors at its next regular meeting.

Valuation Firm. Quarterly, a third-party valuation firm engaged by the Board of Directors reviews the valuation methodologies and calculations employed for these securities.

Board of Directors Determination. The Board of Directors meets quarterly to consider the valuations provided by KAFAs and the Valuation Committee and ratify valuations for the applicable securities. The Board of Directors considers the report provided by the third-party valuation firm in reviewing and determining in good faith the fair value of the applicable portfolio securities.

At August 31, 2013, the Company held 6.3% of its net assets applicable to common stockholders (3.5% of total assets) in securities valued at fair value pursuant to procedures adopted by the Board of Directors, with fair value of \$208,003. See Note 3 Fair Value and Note 7 Restricted Securities.

F. Repurchase Agreements From time to time, the Company has agreed to purchase securities from financial institutions subject to the seller's agreement to repurchase them at an agreed-upon time and price (repurchase agreements). The financial institutions with whom the Company enters into repurchase agreements are banks and broker/dealers which KAFAs considers creditworthy. The seller under a repurchase agreement is required to maintain the value of the securities as collateral, subject to the agreement, at not less than the repurchase price plus accrued interest. KAFAs monitors daily the mark-to-market of the value of the collateral, and, if necessary, requires the seller to maintain additional securities so that the value of the collateral is not less than the repurchase price. Default by or bankruptcy of the seller would, however, expose the Company to possible loss because of adverse market action or delays in connection with the disposition of the underlying securities. As of August 31, 2013, the Company did not have any repurchase agreements.

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G. Short Sales A short sale is a transaction in which the Company sells securities it does not own (but has borrowed) in anticipation of or to hedge against a decline in the market price of the securities. To complete a short sale, the Company may arrange through a broker to borrow the securities to be delivered to the buyer. The proceeds received by the Company for the short sale are retained by the broker until the Company replaces the borrowed securities. In borrowing the securities to be delivered to the buyer, the Company becomes obligated to replace the securities borrowed at their market price at the time of replacement, whatever the price may be.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****NOTES TO FINANCIAL STATEMENTS**

(amounts in 000 s, except number of option contracts, share and per share amounts)

(UNAUDITED)

The Company's short sales, if any, are fully collateralized. The Company is required to maintain assets consisting of cash or liquid securities equal in amount to the liability created by the short sale. These assets are adjusted daily to reflect changes in the value of the securities sold short. The Company is liable for any dividends or distributions paid on securities sold short.

The Company may also sell short against the box (*i.e.*, the Company enters into a short sale as described above while holding an offsetting long position in the security which it sold short). If the Company enters into a short sale against the box, the Company would segregate an equivalent amount of securities owned as collateral while the short sale is outstanding. During the nine months ended August 31, 2013, the Company did not engage in any short sales.

H. *Security Transactions* Security transactions are accounted for on the date these securities are purchased or sold (trade date). Realized gains and losses are reported on an identified cost basis.

I. *Return of Capital Estimates* Distributions received from the Company's investments in MLPs and other securities generally are comprised of income and return of capital. The Company records investment income and return of capital based on estimates made at the time such distributions are received. The Company estimates that 90% of the MLP distributions received will be treated as a return of capital. Such estimates for MLPs and other investments are based on historical information available from each investment and other industry sources. These estimates may subsequently be revised based on information received from MLPs after their tax reporting periods are concluded.

The return of capital portion of the distributions is a reduction to investment income, results in an equivalent reduction in the cost basis of the associated investments and increases net realized gains (losses) and net change in unrealized gains (losses). If the cash distributions received by the Company exceed its cost basis (*i.e.* its cost basis is zero), the distributions are treated as realized gains.

The Company includes all cash distributions received on its Statement of Operations and reduces its investment income by (i) the estimated return of capital and (ii) the distributions in excess of cost basis. For the nine months ended August 31, 2013, the Company had \$190,864 of return of capital and \$2,298 of cash distributions that were in excess of cost basis, which were treated as realized gains.

In accordance with GAAP, the return of capital cost basis reductions for the Company's MLP investments are limited to the total amount of the cash distributions received from such investments. For income tax purposes, the cost basis reductions for the Company's MLP investments typically exceed cash distributions received from such investments due to allocated losses from these investments. See Note 6 Income Taxes. The following table sets forth the Company's estimated total return of capital portion of the distributions received from its investments.

	Three Months Ended August 31, 2013	Nine Months Ended August 31, 2013
Return of capital portion of dividends and distributions received	87%	86%
Return of capital attributable to net realized gains (losses)	\$ 18,318	\$ 39,760
Return of capital attributable to net change in unrealized gains (losses)	51,285	151,104
Total return of capital	\$ 69,603	\$ 190,864

For the three and nine months ended August 31, 2013, the Company estimated the return of capital portion of distributions received to be \$69,351 (87%) and \$190,612 (86%), respectively. These amounts were increased by \$252 due to the 2012 tax reporting information received by

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the Company in the fiscal third quarter 2013. As a result, the return of capital percentages were unchanged for the three and nine months ended August 31, 2013.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****NOTES TO FINANCIAL STATEMENTS**

(amounts in 000 s, except number of option contracts, share and per share amounts)

(UNAUDITED)

J. Investment Income The Company records dividends and distributions on the ex-dividend date. Interest income is recognized on the accrual basis, including amortization of premiums and accretion of discounts. When investing in securities with payment in-kind interest, the Company will accrue interest income during the life of the security even though it will not be receiving cash as the interest is accrued. To the extent that interest income to be received is not expected to be realized, a reserve against income is established.

Debt securities that the Company may hold will typically be purchased at a discount or premium to the par value of the security. The non-cash accretion of a discount to par value increases interest income while the non-cash amortization of a premium to par value decreases interest income. The accretion of a discount and amortization of a premium are based on the effective interest method. The amount of these non-cash adjustments, if any, can be found in the Company's Statement of Cash Flows. The non-cash accretion of a discount increases the cost basis of the debt security, which results in an offsetting unrealized loss. The non-cash amortization of a premium decreases the cost basis of the debt security, which results in an offsetting unrealized gain. To the extent that par value is not expected to be realized, the Company discontinues accruing the non-cash accretion of the discount to par value of the debt security.

The Company receives paid-in-kind and non-cash dividends and distributions in the form of additional units or shares from the investments listed in the table below. For paid-in-kind dividends/distributions, the additional units are not reflected in investment income during the period received but are recorded as unrealized gains upon receipt. Non-cash dividends/distributions are reflected in investment income because the Company has the option to receive its dividends/distributions in cash or in additional shares/units of the security. The Company estimates return of capital on these non-cash dividends/distributions. During the three and nine months ended August 31, 2013, the Company received the following paid-in-kind and non-cash dividends and distributions.

	Three Months Ended August 31, 2013	Nine Months Ended August 31, 2013
<u>Paid-in-kind dividends/distributions</u>		
Buckeye Partners, L.P. (Class B Units) ⁽¹⁾	\$ 1,027	\$ 2,983
Crestwood Midstream Partners LP (Class C Units) ⁽²⁾		612
Enbridge Energy Management, L.L.C.	126	316
Kinder Morgan Management, LLC	5,255	16,522
	\$ 6,408	\$ 20,433
<u>Non-cash distributions</u>		
Energy Transfer Partners, L.P.	4,404	4,404
Enterprise Products Partners L.P.	5,961	5,961
	10,365	10,365
Total paid-in-kind and non-cash dividends/distributions	\$ 16,773	\$ 30,798

(1) Converted into common units on September 1, 2013.

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(2) Converted into common units on April 1, 2013.

K. *Distributions to Stockholders* Distributions to common stockholders are recorded on the ex-dividend date. Distributions to mandatory redeemable preferred stockholders are accrued on a daily basis as described in Note 12 Preferred Stock. As required by the Distinguishing Liabilities from Equity topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification, the Company includes the accrued distributions on its mandatory redeemable preferred stock as an operating expense due to the fixed term of this obligation. For tax purposes the payments made to the holders of the Company s mandatory redeemable preferred stock are treated as dividends or distributions.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

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The estimated characterization of the distributions paid to preferred and common stockholders will be either a dividend (eligible to be treated as qualified dividend income) or distribution (return of capital). This estimate is based on the Company's operating results during the period. The actual characterization of the preferred and common stock distributions made during the current year will not be determinable until after the end of the fiscal year when the Company can determine earnings and profits and, therefore, the characterization may differ from the preliminary estimates.

L. Partnership Accounting Policy The Company records its pro-rata share of the income (loss) and capital gains (losses), to the extent of distributions it has received, allocated from the underlying partnerships and adjusts the cost basis of the underlying partnerships accordingly. These amounts are included in the Company's Statement of Operations.

M. Federal and State Income Taxation The Company, as a corporation, is obligated to pay federal and state income tax on its taxable income. The Company invests its assets primarily in MLPs, which generally are treated as partnerships for federal income tax purposes. As a limited partner in the MLPs, the Company includes its allocable share of the MLP's taxable income in computing its own taxable income. Deferred income taxes reflect (i) taxes on unrealized gains (losses), which are attributable to the temporary difference between fair value and tax basis, (ii) the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and (iii) the net tax benefit of accumulated net operating and capital losses. To the extent the Company has a deferred tax asset, consideration is given as to whether or not a valuation allowance is required. The need to establish a valuation allowance for deferred tax assets is assessed periodically by the Company based on the Income Tax Topic of the FASB Accounting Standards Codification that it is more likely than not that some portion or all of the deferred tax asset will not be realized. In the assessment for a valuation allowance, consideration is given to all positive and negative evidence related to the realization of the deferred tax asset. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability (which are highly dependent on future cash distributions from the Company's MLP holdings), the duration of statutory carryforward periods and the associated risk that operating and capital loss carryforwards may expire unused.

The Company may rely to some extent on information provided by the MLPs, which may not necessarily be timely, to estimate taxable income allocable to the MLP units held in the portfolio and to estimate the associated deferred tax liability. Such estimates are made in good faith. From time to time, as new information becomes available, the Company modifies its estimates or assumptions regarding the deferred tax liability.

The Company's policy is to classify interest and penalties associated with underpayment of federal and state income taxes, if any, as income tax expense on its Statement of Operations. For the three and nine months ended August 31, 2013, the Company did not have any interest or penalties associated with the underpayment of any income taxes. The tax years from 2009 through 2012 remain open and subject to examination by tax jurisdictions.

N. Derivative Financial Instruments The Company may utilize derivative financial instruments in its operations.

Interest rate swap contracts. The Company may use hedging techniques such as interest rate swaps to mitigate potential interest rate risk on a portion of the Company's leverage. Such interest rate swaps would principally be used to protect the Company against higher costs on its leverage resulting from increases in interest rates. The Company does not hedge any interest rate risk associated with portfolio holdings. Interest rate transactions the Company uses for hedging purposes expose it to certain risks that differ from the risks associated with its portfolio holdings. A decline in interest rates may result in a decline in the value of the swap contracts, which, everything else being held constant, would result in a decline in the net assets of the Company. In addition, if the counterparty to an interest rate swap defaults, the Company would not be able to use the anticipated net receipts under the interest rate swap to offset its cost of financial leverage.

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Interest rate swap contracts are recorded at fair value with changes in value during the reporting period, and amounts accrued under the agreements, included as unrealized gains or losses in the Statement of Operations. Monthly cash settlements under the terms of the interest rate swap agreements or termination payments are recorded as realized gains or losses in the Statement of Operations. The Company generally values its interest rate swap contracts based on dealer quotations, if available, or by discounting the future cash flows from the stated terms of the interest rate swap agreement by using interest rates currently available in the market. See Note 8 Derivative Financial Instruments.

Option contracts. The Company is also exposed to financial market risks including changes in the valuations of its investment portfolio. The Company may purchase or write (sell) call options. A call option on a security is a contract that gives the holder of the option, in return for a premium, the right to buy from the writer of the option the security underlying the option at a specified exercise price at any time during the term of the option.

The Company would realize a gain on a purchased call option if, during the option period, the value of such securities exceeded the sum of the exercise price, the premium paid and transaction costs; otherwise the Company would realize either no gain or a loss on the purchased call option. The Company may also purchase put option contracts. If a purchased put option is exercised, the premium paid increases the cost basis of the securities sold by the Company.

The Company may also write (sell) call options with the purpose of generating realized gains or reducing its ownership of certain securities. If the Company writes a call option on a security, the Company has the obligation upon exercise of the option to deliver the underlying security upon payment of the exercise price. The Company will only write call options on securities that the Company holds in its portfolio (*i.e.*, covered calls).

When the Company writes a call option, an amount equal to the premium received by the Company is recorded as a liability and is subsequently adjusted to the current fair value of the option written. Premiums received from writing options that expire unexercised are treated by the Company on the expiration date as realized gains from investments. If the Company repurchases a written call option prior to its exercise, the difference between the premium received and the amount paid to repurchase the option is treated as a realized gain or loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in determining whether the Company has realized a gain or loss. The Company, as the writer of an option, bears the market risk of an unfavorable change in the price of the security underlying the written option. See Note 8 Derivative Financial Instruments.

O. Indemnifications Under the Company's organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Company. In addition, in the normal course of business, the Company enters into contracts that provide general indemnification to other parties. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred, and may not occur. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

3. Fair Value

The Fair Value Measurement Topic of the FASB Accounting Standards Codification (ASC 820) defines fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants under current market conditions at the measurement date. As required by ASC 820, the Company has performed an analysis of all assets and liabilities (other than deferred taxes) measured at fair value to determine the significance and character of all inputs to their fair value determination. Inputs are the assumptions, along with considerations of risk, that a market participant would use to value an asset or a liability. In general, observable inputs are based on market data that is readily available, regularly distributed and verifiable that the Company obtains from independent, third-party sources. Unobservable inputs are developed by the Company based on its own assumptions of how market participants would value an asset or a liability.

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Accounting Standards Update (ASU) No. 2011-04 Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs amends ASC 820. The amended guidance clarifies the wording used to describe many requirements in accounting literature for fair value measurement and disclosure to establish consistency between U.S. GAAP and International Financial Reporting Standards (IFRSs).

ASU No. 2011-04 requires the inclusion of additional disclosures on assumptions used by the Company to determine fair value. Specifically, for assets measured at fair value using significant unobservable inputs (Level 3), ASU No. 2011-04 requires that the Company (i) describe the valuation process, (ii) disclose quantitative information about unobservable inputs and (iii) provide a qualitative discussion about the sensitivity of the fair value measurement to changes in the unobservable inputs and inter-relationships between the inputs.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into the following three broad categories.

Level 1 Valuations based on quoted unadjusted prices for identical instruments in active markets traded on a national exchange to which the Company has access at the date of measurement.

Level 2 Valuations based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs are those in markets for which there are few transactions, the prices are not current, little public information exists or instances where prices vary substantially over time or among brokered market makers.

Level 3 Model derived valuations in which one or more significant inputs or significant value drivers are unobservable. Unobservable inputs are those inputs that reflect the Company's own assumptions that market participants would use to price the asset or liability based on the best available information.

The following table presents the Company's assets measured at fair value on a recurring basis at August 31, 2013, and the Company presents these assets by security type and description on its Schedule of Investments or on its Statement of Assets and Liabilities. Note that the valuation levels below are not necessarily an indication of the risk or liquidity associated with the underlying investment.

	Total	Quoted Prices in Active Markets (Level 1)	Prices with Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Assets at Fair Value				
Equity investments	\$ 5,873,879	\$ 5,665,876	\$	\$ 208,003

The Company did not have any liabilities that were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at August 31, 2013.

For the nine months ended August 31, 2013, there were no transfers between Level 1 and Level 2.

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As of August 31, 2013, the Company had senior unsecured notes (Senior Notes) outstanding with aggregate principal amount of \$1,175,000 and 15,960,000 shares of mandatory redeemable preferred stock outstanding with a total liquidation value of \$399,000. See Note 11 Senior Unsecured Notes and Note 12 Preferred Stock.

Of the \$399,000 of mandatory redeemable preferred stock, Series E (\$120,000 liquidation value) and Series F (\$125,000 liquidation value) are publicly traded on the NYSE. As a result, the Company categorizes these series of mandatory redeemable preferred stock as Level 1. Of the \$1,175,000 Senior Notes, Series HH (\$175,000) are traded by qualified institutional buyers under Rule 144A of the Securities Act of 1933, as amended (the Securities Act), through a market maker. As a result, the Company categorizes the Series HH

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Senior Notes as Level 2. The remaining three series of preferred stock (the Series A, B and C mandatory redeemable preferred stock) and the remaining Senior Notes were issued in private placements to institutional investors and are not listed on any exchange or automated quotation system. As such, the Company categorizes all of the remaining Senior Notes (\$1,000,000 aggregate principal amount) and Series A, B and C of the mandatory redeemable preferred stock (\$154,000 aggregate liquidation value) as Level 3 and determines the fair value of these instruments based on estimated market yields and credit spreads for comparable instruments with similar maturity, terms and structure.

The Company records these instruments on its Statement of Assets and Liabilities at principal amount or liquidation value. As of August 31, 2013, the estimated fair values of these leverage instruments are as follows.

Instrument	Principal Amount/ Liquidation Value	Fair Value
Senior Notes (Series M through GG)	\$ 1,000,000	\$ 1,016,100
Senior Notes (Series HH)	\$ 175,000	\$ 175,000
Mandatory redeemable preferred stock (Series A, B and C)	\$ 154,000	\$ 164,100
Mandatory redeemable preferred stock (Series E and F)	\$ 245,000	\$ 240,136

The following tables present the Company's assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the three and nine months ended August 31, 2013.

Three Months Ended August 31, 2013		Equity Investments
Balance	May 31, 2013	\$ 173,513
Purchases		
Issuances		1,027
Transfers out		
Realized gains(losses)		
Unrealized gains, net		33,463
Balance	August 31, 2013	\$ 208,003

Nine Months Ended August 31, 2013		Equity Investments
Balance	November 30, 2012	\$ 129,311
Purchases		65,000
Issuances		3,595
Transfers out		(67,896)
Realized gains (losses)		
Unrealized gains, net		77,993

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Balance	August 31, 2013	\$ 208,003
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The \$33,463 and \$77,993 of unrealized gains presented in the tables above for the three and nine months ended August 31, 2013 relate to investments that are still held at August 31, 2013, and the Company includes these unrealized gains on the Statement of Operations Net Change in Unrealized Gains.

The purchases of \$65,000 for the nine months ended August 31, 2013 relate to the Company's investment in Capital Products Partners L.P. (Class B Units) and Inergy Midstream, L.P. (Common Units). The issuances of \$1,027 and \$3,595 for the three and nine months ended August 31, 2013 relate to additional units received from Buckeye Partners, L.P. (Class B Units) and Crestwood Midstream Partners LP (Class C Units). The transfers out of \$67,896 for the nine months ended August 31, 2013 relate to the Company's investments in Crestwood Midstream Partners LP, Class C Units and Inergy Midstream, L.P., common units that became marketable during the fiscal second quarter of 2013.

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Valuation Techniques and Unobservable Inputs

Unless otherwise determined by the Board of Directors, the Company values its private investments in public equity (PIPE) investments that are convertible into or otherwise will become publicly tradeable (e.g., through subsequent registration or expiration of a restriction on trading) based on the market value of the publicly-traded security less a discount. The discount is initially equal to the discount negotiated at the time the Company agrees to a purchase price. To the extent that such securities are convertible or otherwise become publicly traded within a time frame that may be reasonably determined, this discount will be amortized on a straight line basis over such estimated time frame.

One of the Company's private investments is Class B Units of Capital Product Partners L.P. (CPLP). The Class B Units are convertible units (convertible on a one-for-one basis into common units) and are senior to CPLP's common units in terms of liquidation preference and priority of distributions. The Company's Board of Directors has determined that it is appropriate to value the Class B Units using a convertible pricing model, which takes into account the unit's preference relative to the common units as well as its conversion features. This model takes into account the attributes of the Class B Units (preferred dividend, conversion ratio and call features) to determine the estimated value of such units. In using this model, the Company estimates (i) the credit spread for CPLP's Class B Units, which is based on credit spreads for companies in a similar line of business as CPLP and (ii) the expected volatility for CPLP's common units, which is based on CPLP's historical volatility as well as historical volatility for publicly-traded companies in a similar line of business as CPLP. The Company applies a discount to the value derived from the convertible pricing model to account for an expected discount in market prices for convertible securities relative to the values calculated using pricing models.

The Company's investments in private companies are typically valued using one of or a combination of the following valuation techniques: (i) analysis of valuations for publicly-traded companies in a similar line of business (public company analysis), (ii) analysis of valuations for comparable M&A transactions (M&A analysis) and (iii) discounted cash flow analysis. The table entitled "Quantitative Table for Valuation Techniques" outlines the valuation technique(s) used for each asset category.

The public company analysis utilizes valuation ratios for publicly-traded companies in a similar line of business as the portfolio company to estimate the fair value of such portfolio company. The Company typically focuses on the following valuation ratios: (a) distribution yields (yield analysis), which is calculated by dividing the company's annual distribution by its stock price and (b) trading multiples (trading multiple analysis), which is the ratio of certain measures of cash flow to the company's enterprise value and equity value (as described below in more detail). To determine its recommended valuation for Plains All American GP LLC (Plains GP LLC), the public company analysis uses a probability weighting between the yield analysis and trading multiple analysis based on its assessment of how Plains GP LLC will be valued in its pending IPO.

For both the yield analysis and the trading multiple analysis, the Company utilizes projections provided by external sources (i.e., third party equity research estimates) as well as internally developed estimates, and the Company focuses on EBITDA, DCF and distribution projections for the current calendar year and next calendar year. Based on this data, the Company selects a range of yields given the yields of similar publicly-traded companies and applies such yields to the portfolio company's projected distributions to estimate the portfolio company's equity value. For the trading multiple analysis, the Company focuses on the ratio of enterprise value (EV) to earnings before interest expense, income tax expense, depreciation and amortization (EBITDA), which is referred to as an EV/EBITDA multiple and the ratio of equity market value (EMV) to distributable cash flow (DCF), which is referred to as a EMV/DCF multiple. The Company selects a range of EV/EBITDA and EMV/DCF multiples given the trading multiples of similar publicly-traded companies and applies such multiples to the portfolio company's projected EBITDA and DCF to estimate the portfolio company's enterprise value and equity value. When calculating these values, the Company applies a discount to the portfolio company's estimated equity value for the size of the company and the lack of marketability in the portfolio company's securities.

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The M&A analysis utilizes valuation multiples for historical M&A transactions for companies or assets in a similar line of business as the portfolio company to estimate the fair value of such portfolio company. Typically, the Company's analysis focuses on EV/EBITDA multiples. The Company selects a range of multiples based on EV/EBITDA multiples for similar M&A transactions and applies such ranges to the portfolio company's EBITDA to estimate the portfolio company's enterprise value. The Company utilizes projections provided by external sources as well as internally developed estimates to calculate the valuation multiples of the comparable M&A transactions.

The discounted cash flow analysis is used to estimate the equity value for the portfolio company based on estimated cash flows of such portfolio company. Such cash flows include a terminal value for the portfolio company, which is typically based on an EV/EBITDA multiple. A present value of these cash flows is determined by using estimated discount rates (required equity rate of return).

Under these valuation techniques, the Company estimates operating results of its portfolio companies (including EBITDA, DCF and distributions). These estimates utilize unobservable inputs such as historical operating results, which may be unaudited, and projected operating results, which will be based on operating assumptions for such portfolio company. These estimates will be sensitive to changes in assumptions specific to such portfolio company as well as general assumptions for the industry. Other unobservable inputs utilized in the valuation techniques outlined above include: discounts for lack of marketability, selection of publicly-traded companies, selection of similar M&A transactions, selected ranges for valuation multiples and expected required rates of return (discount rates).

Changes in EBITDA multiples, DCF multiples, or discount rates, each in isolation, may change the fair value of the Company's portfolio investments. Generally, a decrease in EBITDA multiples or DCF multiples, or an increase in discount rates will result in a decrease in the fair value of the Company's portfolio investments.

Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value of the Company's investments may fluctuate from period to period. Additionally, the fair value of the Company's investments may differ from the values that would have been used had a ready market existed for such investments and may differ materially from the values that the Company may ultimately realize.

The following table summarizes the significant unobservable inputs that the Company uses to value its portfolio investments categorized as Level 3 as of August 31, 2013:

Quantitative Table for Valuation Techniques

Assets at Fair Value	Fair Value	Valuation Technique	Unobservable Inputs	Range		
				Low	High	Average
Equity securities of public companies (PIPE) valued based on a discount to market value ⁽¹⁾	\$ 68,855	- Discount to publicly-traded securities	- Current discount - Remaining restricted period	% 1 day	% 1 day	% 1 day
Equity securities of public companies	28,758	- Convertible pricing model	- Credit spread - Volatility	6.5% 27.5%	7.5% 32.5%	7.0% 30.0%

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not valued based on a
discount to market
value

- Discount for marketability

8.0%

8.0%

8.0%

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Assets at Fair Value	Fair Value	Valuation Technique	Unobservable Inputs	Range		Average
				Low	High	
Equity securities of private companies common units / common equity	108,280	- Public company analysis Yield analysis	- Expected IPO yield	3.0%	3.5%	3.3%
			- Discount for marketability	7.5%	7.5%	7.5%
		Trading multiple analysis	- EV / 2014E EBITDA	21.0x	24.0x	22.5x
			- Discount for marketability	7.5%	7.5%	7.5%
		- M&A analysis	- Selected EV / EBITDA	22.0x	24.0x	23.0x
- Discounted cash flow	multiples	- Equity rate of return	15.0%	17.5%	16.3%	
Equity securities of private trust	2,110	- Discounted cash flow	- Equity rate of return	25%	25%	25%
Total	\$ 208,003					

(1) The Company's investment in the Buckeye Partners, L.P. Class B Units converted into common units on September 1, 2013. As of August 31, 2013, the Company valued the Class B Units at the same price as the common units.

4. Concentration of Risk

The Company's investments are concentrated in the energy sector. The focus of the Company's portfolio within the energy sector may present more risks than if the Company's portfolio were broadly diversified across numerous sectors of the economy. A downturn in the energy sector would have a larger impact on the Company than on an investment company that does not concentrate in energy. The performance of securities in the energy sector may lag the performance of other industries or the broader market as a whole. Additionally, to the extent that the Company invests a relatively high percentage of its assets in the securities of a limited number of issuers, the Company may be more susceptible than a more widely diversified investment company to any single economic, political or regulatory occurrence. At August 31, 2013, the Company had the following investment concentrations.

Category	Percent of Total Assets
Securities of energy companies	99.3%
Equity securities	99.6%
MLP securities	90.5%
Largest single issuer	8.9%
Restricted securities	3.5%

5. Agreements and Affiliations

A. *Administration Agreement* The Company has entered into an administration agreement with Ultimus Fund Solutions, LLC (Ultimus), which may be amended from time to time. Pursuant to the administration agreement, Ultimus will provide certain administrative services for the Company. The administration agreement has automatic one-year renewals unless earlier terminated by either party as provided under the terms of the administration agreement.

B. *Investment Management Agreement* The Company has entered into an investment management agreement with KAFA under which KAFA, subject to the overall supervision of the Company s Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, the Company. For providing these services, KAFA receives a management fee from the Company. On September 18, 2013, the Company renewed its agreement with KAFA for a period of one year. The agreement will expire on December 11, 2014 and may be renewed annually thereafter upon approval of the Company s Board of Directors (including a majority of the Company s directors who are not interested persons of the Company, as such term is defined in the 1940 Act). In conjunction with this renewal, the Company renewed the agreement with KAFA for an additional one-year term expiring on December 11,

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2014 to waive 0.125% of its 1.375% management fee on average total assets in excess of \$4,500,000, thereby reducing the management fee to 1.25% on average total assets in excess of \$4,500,000. For the nine months ended August 31, 2013, the Company paid management fees at an annual rate of 1.36% of the Company's average quarterly total assets.

For purposes of calculating the management fee the average total assets for each quarterly period are determined by averaging the total assets at the last day of that quarter with the total assets at the last day of the prior quarter. The Company's total assets are equal to the Company's gross asset value (which includes assets attributable to or proceeds from the Company's use of preferred stock, commercial paper or notes and other borrowings and excludes any net deferred tax asset), minus the sum of the Company's accrued and unpaid dividends and distributions on any outstanding common stock and accrued and unpaid dividends and distributions on any outstanding preferred stock and accrued liabilities (other than liabilities associated with borrowing or leverage by the Company and any accrued taxes, including, a deferred tax liability). Liabilities associated with borrowing or leverage by the Company include the principal amount of any borrowings, commercial paper or notes issued by the Company, the liquidation preference of any outstanding preferred stock, and other liabilities from other forms of borrowing or leverage such as short positions and put or call options held or written by the Company.

C. Portfolio Companies From time to time, the Company may control or may be an affiliate of one or more of its portfolio companies, as each of these terms is defined in the 1940 Act. In general, under the 1940 Act, the Company would be presumed to control a portfolio company if the Company and its affiliates owned 25% or more of its outstanding voting securities and would be an affiliate of a portfolio company if the Company and its affiliates owned 5% or more of its outstanding voting securities. The 1940 Act contains prohibitions and restrictions relating to transactions between investment companies and their affiliates (including the Company's investment adviser), principal underwriters and affiliates of those affiliates or underwriters.

The Company believes that there are several factors that determine whether or not a security should be considered a voting security in complex structures such as limited partnerships of the kind in which the Company invests. The Company also notes that the Securities and Exchange Commission (the SEC) staff has issued guidance on the circumstances under which it would consider a limited partnership interest to constitute a voting security. Under most partnership agreements, the management of the partnership is vested in the general partner, and the limited partners, individually or collectively, have no rights to manage or influence management of the partnership through such activities as participating in the selection of the managers or the board of the limited partnership or the general partner. As a result, the Company believes that many of the limited partnership interests in which it invests should not be considered voting securities. However, it is possible that the SEC staff may consider the limited partner interests the Company holds in certain limited partnerships to be voting securities. If such a determination were made, the Company may be regarded as a person affiliated with and controlling the issuer(s) of those securities for purposes of Section 17 of the 1940 Act.

In making such a determination as to whether to treat any class of limited partnership interests the Company holds as a voting security, the Company considers, among other factors, whether or not the holders of such limited partnership interests have the right to elect the board of directors of the limited partnership or the general partner. If the holders of such limited partnership interests do not have the right to elect the board of directors, the Company generally has not treated such security as a voting security. In other circumstances, based on the facts and circumstances of those partnership agreements, including the right to elect the directors of the general partner, the Company has treated those securities as voting securities and, therefore, as affiliates. If the Company does not consider the security to be a voting security, it will not consider such partnership to be an affiliate unless the Company and its affiliates own more than 25% of the outstanding securities of such partnership.

There is no assurance that the SEC staff will not consider that other limited partnership securities that the Company owns and does not treat as voting securities are, in fact, voting securities for the purposes of Section 17 of the 1940 Act. If such determination were made, the Company will be required to abide by the restrictions on

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control or affiliate transactions as proscribed in the 1940 Act. The Company or any portfolio company that it controls, and its affiliates, may from time to time engage in certain of such joint transactions, purchases, sales and loans in reliance upon and in compliance with the conditions of certain exemptive rules promulgated by the SEC. The Company cannot make assurances, however, that it would be able to satisfy the conditions of these rules with respect to any particular eligible transaction, or even if the Company were allowed to engage in such a transaction, that the terms would be more or as favorable to the Company or any company that it controls as those that could be obtained in arm's length transaction. As a result of these prohibitions, restrictions may be imposed on the size of positions that may be taken for the Company or on the type of investments that it could make.

As of August 31, 2013, the Company believes that MarkWest Energy Partners, L.P. and PVR Partners, L.P. meet the criteria described above and are therefore considered affiliates of the Company.

Clearwater Trust At August 31, 2013, the Company held approximately 63% of the Clearwater Trust. The Company believes that it is an affiliate of the trust under the 1940 Act by virtue of its majority interest in the trust.

Emerge Energy Services LP Kevin S. McCarthy is Chairman of the Board of Directors and President and Chief Executive Officer of the Company. Mr. McCarthy also serves as a director on the board of Emerge Energy Services GP LLC (Emerge GP), the general partner of Emerge Energy Services LP (Emerge). Various affiliated funds managed by KAFA, including the Company, own units of Emerge. The Company believes that it is an affiliate of Emerge under the 1940 Act by virtue of Mr. McCarthy's participation on the board of Emerge GP.

Plains All American GP LLC and Plains All American Pipeline, L.P. Robert V. Sinnott is Chief Executive Officer of Kayne Anderson Capital Advisors, L.P. (KACALP), the managing member of KAFA. Mr. Sinnott also serves as a director on the board of Plains All American GP LLC (Plains GP LLC), the general partner of Plains All American Pipeline, L.P. (PAA). Members of senior management of KACALP and KAFA and various affiliated funds managed by KACALP, including the Company, own units of Plains GP LLC. The Company believes that it is an affiliate of Plains GP LLC and PAA under the 1940 Act by virtue of (i) the Company's and other affiliated Kayne Anderson funds' ownership interests in Plains GP LLC and (ii) Mr. Sinnott's participation on the board of Plains GP LLC.

6. Income Taxes

The Company's taxes include current and deferred income taxes. Current income taxes reflect the estimated income tax liability of the Company as of a measurement date. Deferred income taxes reflect (i) taxes on net unrealized gains, which are attributable to the difference between fair market value and tax basis, (ii) the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and (iii) the net tax benefit of accumulated net operating losses.

At August 31, 2013, the Company had a current income tax liability of \$8,314. The payable is the result of estimated taxable income under alternative minimum tax (AMT) for the nine months ended August 31, 2013. Components of the Company's tax assets and liabilities as of August 31, 2013 are as follows:

Current tax liability		\$	(8,314)
Deferred tax assets:			
Net operating loss carryforwards	Federal		15,679
Net operating loss carryforwards	State		1,108
AMT credit carryforwards			10,106

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Deferred tax liabilities:

Net unrealized gains on investment securities, interest rate swap contracts and option contracts	(1,000,268)
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Total deferred tax liability, net	\$ (973,375)
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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****NOTES TO FINANCIAL STATEMENTS**

(amounts in 000 s, except number of option contracts, share and per share amounts)

(UNAUDITED)

At August 31, 2013, the Company had federal net operating loss carryforwards of \$46,198 (deferred tax asset of \$15,679). Realization of the deferred tax assets and net operating loss carryforwards are dependent, in part, on generating sufficient taxable income prior to expiration of the loss carryforwards. The federal net operating loss carryforwards have expiration dates ranging from 2029 to 2032. In addition, the Company has state net operating loss carryforwards of \$36,014 (deferred tax asset of \$1,108). These state net operating loss carryforwards have expiration dates ranging from the current year to 2032.

At August 31, 2013, the Company had AMT credit carryforwards of \$10,106. AMT credits can be used to reduce regular tax to the extent that regular tax exceeds the AMT in a future year. AMT credits do not expire.

The Company primarily invests in equity securities issued by MLPs, which generally are treated as partnerships for federal income tax purposes. As a limited partner of MLPs, the Company includes its allocable share of such MLPs' income or loss in computing its own taxable income or loss. Additionally, for income tax purposes, the Company reduces the cost basis of its MLP investments by the cash distributions received, and increases or decreases the cost basis of its MLP investments by its allocable share of the MLP's income or loss. During the fiscal year ended November 30, 2012, the Company reduced its cost basis for income tax purposes by \$203,442 associated with cash distributions received from MLP investments. During the same period, the Company had additional cost basis reductions of \$146,470 due to net allocated losses from its MLP investments.

Although the Company currently has a net deferred tax liability, it periodically reviews the recoverability of its deferred tax assets based on the weight of available evidence. When assessing the recoverability of its deferred tax assets, significant weight is given to the effects of potential future realized and unrealized gains on investments and the period over which these deferred tax assets can be realized, as the expiration dates for the federal capital and operating loss carryforwards range from five to nineteen years.

Based on the Company's assessment, it has determined that it is more likely than not that its deferred tax assets will be realized through future taxable income of the appropriate character. Accordingly, no valuation allowance has been established for the Company's deferred tax assets. The Company will continue to assess the need for a valuation allowance in the future. Significant declines in the fair value of its portfolio of investments may change the Company's assessment regarding the recoverability of its deferred tax assets and may result in a valuation allowance. If a valuation allowance is required to reduce any deferred tax asset in the future, it could have a material impact on the Company's net asset value and results of operations in the period it is recorded.

Total income taxes were different from the amount computed by applying the federal statutory income tax rate of 35% to the net investment loss and realized and unrealized gains (losses) on investments before taxes for the three and nine months ended August 31, 2013, as follows:

	Three Months Ended August 31, 2013	Nine Months Ended August 31, 2013
Computed federal income tax at 35%	\$ 29,390	\$ 306,810
State income tax, net of federal tax	1,665	17,722
Non-deductible distributions on mandatory redeemable preferred stock and other	(234)	3,303
Total income tax expense (benefit)	\$ 30,821	\$ 327,835

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At August 31, 2013, the cost basis of investments for federal income tax purposes was \$3,202,001. The cost basis for federal income tax purposes is \$344,212 lower than the cost basis for GAAP reporting purposes primarily due to the additional basis adjustments attributable to the Company's share of the allocated losses from

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****NOTES TO FINANCIAL STATEMENTS**

(amounts in 000 s, except number of option contracts, share and per share amounts)

(UNAUDITED)

its MLP investments. At August 31, 2013, gross unrealized appreciation and depreciation of investments and options for federal income tax purposes were as follows:

Gross unrealized appreciation of investments	\$ 2,682,445
Gross unrealized depreciation of investments	(10,567)
Net unrealized appreciation of investments	\$ 2,671,878

7. Restricted Securities

From time to time, certain of the Company's investments may be restricted as to resale. For instance, private investments that are not registered under the Securities Act, cannot be offered for public sale in a non-exempt transaction without first being registered. In other cases, certain of the Company's investments have restrictions such as lock-up agreements that preclude the Company from offering these securities for public sale.

At August 31, 2013, the Company held the following restricted investments:

Investment	Acquisition Date	Type of Restriction	Number of Units (in 000 s)	Cost Basis	Fair Value	Fair Value Per Unit	Percent of Net Assets	Percent of Total Assets
Level 3 Investments⁽¹⁾								
Buckeye Partners, L.P.								
Class B Units	(2)	(3)	984	\$ 45,006	\$ 68,855	\$ 70.00	2.1%	1.2%
Capital Products Partners L.P.								
Class B Units	(2)	(3)	3,030	23,268	28,758	9.49	0.8	0.5
Clearwater Trust								
Trust Interest	(4)	(5)	N/A	3,266	2,110	N/A	0.1	0.0
Plains All American GP LLC ⁽⁶⁾								
Common Units	(2)	(5)	24	29,308	108,280	4,457	3.3	1.8
Total				\$ 100,848	\$ 208,003		6.3%	3.5%

(1) Securities are valued using inputs reflecting the Company's own assumptions as more fully described in Note 2 Significant Accounting Policies and Note 3 Fair Value.

(2) Securities acquired at various dates during the nine months ended August 31, 2013 and/or in prior fiscal years.

- (3) Unregistered or restricted security of a publicly-traded company.
- (4) On September 28, 2010, the Bankruptcy Court finalized the plan of reorganization of Clearwater Natural Resources, LP (Clearwater). As part of the plan of reorganization, the Company received an interest in the Clearwater Trust consisting of cash and a coal royalty interest as consideration for its unsecured loan to Clearwater. See Note 5 Agreements and Affiliations.
- (5) Unregistered security of a private company or trust.
- (6) In determining the fair value for Plains GP LLC, the Company s valuation is based on publicly available information. Robert V. Sinnott, the CEO of KACALP, is a member of Plains GP LLC s board of directors (see Note 5 Agreements and Affiliations). Certain private investment funds managed by KACALP may value its investment in Plains GP LLC based on non-public information, and, as a result, such valuation may be different than the Company s valuation.

8. Derivative Financial Instruments

As required by the Derivatives and Hedging Topic of the FASB Accounting Standards Codification, the following are the derivative instruments and hedging activities of the Company. There were no outstanding options at August 31, 2013. See Note 2 Significant Accounting Policies.

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(amounts in 000 s, except number of option contracts, share and per share amounts)

(UNAUDITED)

Option Contracts Transactions in option contracts for the three and nine months ended August 31, 2013 were as follows:

Three Months Ended August 31, 2013	Number of Contracts	Premium
Put Options Purchased		
Options outstanding at May 31, 2013		\$
Options purchased	230	3
Options exercised	(230)	(3)
Options outstanding at August 31, 2013		\$
Call Options Written		
Options outstanding at May 31, 2013	3,200	\$ 367
Options written	9,640	816
Options subsequently repurchased ⁽¹⁾	(2,170)	(262)
Options exercised	(3,314)	(272)
Options expired	(7,356)	(649)
Options outstanding at August 31, 2013		\$

(1) The price at which the Company subsequently repurchased the options was \$96 which resulted in net realized gains of \$166.

Nine Months Ended August 31, 2013	Number of Contracts	Premium
Put Options Purchased		
Options outstanding at November 30, 2012		\$
Options purchased	230	3
Options exercised	(230)	(3)
Options outstanding at August 31, 2013		\$
Call Options Written		
Options outstanding at November 30, 2012	4,100	\$ 406
Options written	40,524	3,787
Options subsequently repurchased ⁽¹⁾	(15,580)	(1,433)
Options exercised	(21,688)	(2,111)
Options expired	(7,356)	(649)
Options outstanding at August 31, 2013		\$

(1) The price at which the Company subsequently repurchased the options was \$470, which resulted in net realized gains of \$963.

Interest Rate Swap Contracts The Company may enter into interest rate swap contracts to partially hedge itself from increasing expense on its leverage resulting from increasing interest rates. At the time the interest rate swap contracts reach their scheduled termination, there is a risk that the Company would not be able to obtain a replacement transaction or that the terms of the replacement transaction would not be as favorable as on the expiring transaction. In addition, if the Company is required to terminate any swap contract early, then the Company could be required to make a termination payment. As of August 31, 2013, the Company did not have any interest rate swap contracts outstanding.

During the first and second quarters of fiscal 2013, the Company entered into interest rate swap contracts (\$175,000 notional amount) in anticipation of a private placement of Senior Notes. On March 22, 2013, these interest rate swap contracts were terminated in conjunction with the pricing of the private placement, and resulted in a \$32 realized gain.

Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****NOTES TO FINANCIAL STATEMENTS**

(amounts in 000 s, except number of option contracts, share and per share amounts)

(UNAUDITED)

The Company did not have any derivative instruments outstanding as of August 31, 2013. The following tables set forth the effect of the Company's derivative instruments on the Statement of Operations.

Derivatives Not Accounted for as	Location of Gains/(Losses) on	For the Three Months Ended August 31, 2013	
		Net Realized Gains/(Losses) on Derivatives Recognized in Income	Change in Unrealized Gains/(Losses) on Derivatives Recognized in Income
Hedging Instruments	Derivatives Recognized in Income		
Call options	Options	\$ 815	\$ 38

Derivatives Not Accounted for as	Location of Gains/(Losses) on	For the Nine Months Ended August 31, 2013	
		Net Realized Gains/(Losses) on Derivatives Recognized in Income	Change in Unrealized Gains/(Losses) on Derivatives Recognized in Income
Hedging Instruments	Derivatives Recognized in Income		
Call options	Options	\$ 1,612	\$ (27)
Interest rate swap contracts	Interest rate swap contracts	32	
		\$ 1,644	\$ (27)

9. Investment Transactions

For the nine months ended August 31, 2013, the Company purchased and sold securities in the amounts of \$1,542,733 and \$902,702 (excluding short-term investments and options).

10. Credit Facility

At August 31, 2013, the Company had a \$250,000 unsecured revolving credit facility (the Credit Facility). The Credit Facility has a three-year term, maturing on March 4, 2016. Under the Credit Facility, the interest rate varies between LIBOR plus 1.60% and LIBOR plus 2.25%, depending on the Company's asset coverage ratios. The Company pays a fee of 0.30% per annum on any unused amounts of the new Credit

Facility.

For the nine months ended August 31, 2013, the average amount outstanding under the Credit Facility was \$88,091 with a weighted average interest rate of 2.04%. As of August 31, 2013, the Company had \$13,000 outstanding under the Credit Facility at an interest rate of 1.79%. See Financial Highlights for the Company's asset coverage ratios under the 1940 Act.

11. Senior Unsecured Notes

At August 31, 2013, the Company had \$1,175,000 aggregate principal amount of Senior Notes outstanding. On April 16, 2013, the Company executed a definitive agreement for the private placement of \$235,000 of Senior Notes. In conjunction with the execution of this agreement, on April 16, 2013, the Company received funding of \$110,000 (the April Funding) of the \$235,000 total offering amount. Proceeds from the April Funding were used to make new portfolio investments and to repay outstanding indebtedness. The remaining \$125,000 was funded on June 13, 2013 and was used to refinance \$125,000 principal amount of the Series K Senior Notes which would have matured on June 19, 2013. On August 22, 2013, the Company completed an offering of \$175,000 of Series HH Senior Notes to qualified institutional buyers in a private offering pursuant to Rule 144A under the Securities Act. The net proceeds from the offering were used to make new portfolio investments, to repay outstanding indebtedness and for general corporate purposes.

Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****NOTES TO FINANCIAL STATEMENTS**

(amounts in 000 s, except number of option contracts, share and per share amounts)

(UNAUDITED)

The table below sets forth the key terms of each series of the Senior Notes at August 31, 2013.

Series	Principal Outstanding, November 30, 2012	Principal Redeemed	Principal Issued	Principal Outstanding, August 31, 2013	Estimated Fair Value August 31, 2013	Fixed/Floating Interest Rate	Maturity Date
K	\$ 125,000	\$ 125,000	\$	\$	\$	5.991%	6/19/13
M	60,000			60,000	62,500	4.560%	11/4/14
N	50,000			50,000	50,400	3-month LIBOR + 185 bps	11/4/14
O	65,000			65,000	68,000	4.210%	5/7/15
P	45,000			45,000	45,300	3-month LIBOR + 160 bps	5/7/15
Q	15,000			15,000	15,500	3.230%	11/9/15
R	25,000			25,000	26,100	3.730%	11/9/17
S	60,000			60,000	62,900	4.400%	11/9/20
T	40,000			40,000	42,800	4.500%	11/9/22
U	60,000			60,000	60,300	3-month LIBOR + 145 bps	5/26/16
V	70,000			70,000	73,200	3.710%	5/26/16
W	100,000			100,000	106,900	4.380%	5/26/18
X	14,000			14,000	14,200	2.460%	5/3/15
Y	20,000			20,000	20,300	2.910%	5/3/17
Z	15,000			15,000	15,200	3.390%	5/3/19
AA	15,000			15,000	15,000	3.560%	5/3/20
BB	35,000			35,000	35,100	3.770%	5/3/21
CC	76,000			76,000	76,200	3.950%	5/3/22
DD			75,000	75,000	73,200	2.740%	4/16/19
EE			50,000	50,000	48,200	3.200%	4/16/21
FF			65,000	65,000	62,300	3.570%	4/16/23
GG			45,000	45,000	42,500	3.670%	4/16/25
HH			175,000	175,000	175,000	3-month LIBOR + 125 bps	8/19/16
	\$ 890,000	\$ 125,000	\$ 410,000	\$ 1,175,000	\$ 1,191,100		

Holders of the fixed rate Senior Notes are entitled to receive cash interest payments semi-annually (on June 19 and December 19) at the fixed rate. Holders of the floating rate Senior Notes are entitled to receive cash interest payments quarterly (on March 19, June 19, September 19 and December 19) at the floating rate. During the nine months ended August 31, 2013, the weighted average interest rate on the outstanding Senior Notes was 3.73%.

As of August 31, 2013, each series of Senior Notes were rated AAA by FitchRatings. In the event the credit rating on any series of Senior Notes falls below A-, the interest rate on such series will increase by 1% during the period of time such series is rated below A-. The Company is required to maintain a current rating from one rating agency with respect to each series of Senior Notes.

The Senior Notes were issued in private placement offerings to institutional investors and are not listed on any exchange or automated quotation system. The Senior Notes contain various covenants related to other indebtedness, liens and limits on the Company's overall leverage. Under the 1940 Act and the terms of the Senior Notes, the Company may not declare dividends or make other distributions on shares of its common stock

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or make purchases of such shares if, at any time of the declaration, distribution or purchase, asset coverage with respect to the outstanding Senior Notes would be less than 300%.

The Senior Notes are redeemable in certain circumstances at the option of the Company. The Senior Notes are also subject to a mandatory redemption to the extent needed to satisfy certain requirements if the Company fails to meet an asset coverage ratio required by law and is not able to cure the coverage deficiency by the applicable deadline, or fails to cure a deficiency as stated in the Company's rating agency guidelines in a timely manner.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****NOTES TO FINANCIAL STATEMENTS**

(amounts in 000 s, except number of option contracts, share and per share amounts)

(UNAUDITED)

The Senior Notes are unsecured obligations of the Company and, upon liquidation, dissolution or winding up of the Company, will rank: (1) senior to all of the Company's outstanding preferred shares; (2) senior to all of the Company's outstanding common shares; (3) on a parity with any unsecured creditors of the Company and any unsecured senior securities representing indebtedness of the Company; and (4) junior to any secured creditors of the Company.

At August 31, 2013, the Company was in compliance with all covenants under the Senior Notes agreements.

12. Preferred Stock

At August 31, 2013, the Company had 15,960,000 shares of mandatory redeemable preferred stock outstanding, with a total liquidation value of \$399,000 (\$25.00 per share). On April 3, 2013, the Company completed a public offering of 5,000,000 shares of Series F mandatory redeemable preferred stock at a price of \$25.00 per share. Net proceeds from the offering were used primarily to redeem all 4,000,000 shares of Series D mandatory redeemable preferred stock (\$100,000 liquidation value). The redemption price per share was equal to the liquidation value, plus (i) accumulated unpaid dividends of \$578, calculated using the current rate of 4.95% accrued to, but not including, the redemption date and (ii) a redemption premium of \$500 (0.5% of the liquidation value). On September 16, 2013, the Company completed a public offering of 2,000,000 shares of Series G mandatory redeemable preferred stock with a \$50,000 liquidation value. See Note 14 Subsequent Events.

The table below sets forth the key terms of each series of the mandatory redeemable preferred stock at August 31, 2013.

Series	Liquidation Value			August 31, 2013	Estimated Fair Value August 31, 2013	Rate	Mandatory Redemption Date
	November 30, 2012	Shares Redeemed	Shares Issued				
A	\$ 104,000	\$	\$	\$ 104,000	\$ 112,000	5.57%	5/7/17
B	8,000			8,000	8,300	4.53%	11/9/17
C	42,000			42,000	43,800	5.20%	11/9/20
D	100,000	100,000				4.95%	6/1/18
E ⁽¹⁾	120,000			120,000	120,336	4.25%	4/1/19
F ⁽²⁾			125,000	125,000	119,800	3.50%	4/15/20
	\$ 374,000	\$ 100,000	\$ 125,000	\$ 399,000	\$ 404,236		

(1) Series E mandatory redeemable preferred stock is publicly traded on the NYSE under the symbol KYNPRE. The fair value is based on the price of \$25.07 on August 31, 2013.

(2) Series F mandatory redeemable preferred stock is publicly traded on the NYSE under the symbol KYNPRF. The fair value is based on the price of \$23.96 as of August 31, 2013.

Holders of the series A, B and C mandatory redeemable preferred stock are entitled to receive cumulative cash dividend payments on the first business day following each quarterly period (February 28, May 31, August 31 and November 30). Holders of the series D and E mandatory redeemable preferred stock are entitled to receive cumulative cash dividend payments on the first business day of each month.

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The table below outlines the terms of each series of mandatory redeemable preferred stock. The dividend rate on the Company's mandatory redeemable preferred stock will increase if the credit rating is downgraded below **A** by FitchRatings. Further, the annual dividend rate for all series of mandatory redeemable preferred stock will increase by 4.0% if no ratings are maintained, and the annual dividend rate will increase by 5.0% if the Company fails to make dividend or certain other payments. The Company is required to maintain a current rating from one rating agency with respect to each series of mandatory redeemable preferred stock.

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(amounts in 000 s, except number of option contracts, share and per share amounts)

(UNAUDITED)

	Series A, B and C	Series E and F
Rating as of August 31, 2013 (FitchRatings)	AA	AA
Ratings Threshold	A	A
Method of Determination	Lowest Credit Rating	Highest Credit Rating
Increase in Annual Dividend Rate	0.5% to 4.0%	0.75% to 4.0%
The mandatory redeemable preferred stock rank senior to all of the Company's outstanding common shares and on parity with any other preferred stock. The mandatory redeemable preferred stock is redeemable in certain circumstances at the option of the Company and is also subject to a mandatory redemption if the Company fails to meet a total leverage (debt and preferred stock) asset coverage ratio of 225% or fails to maintain its basic maintenance amount as stated in the Company's rating agency guidelines.		

Under the terms of the mandatory redeemable preferred stock, the Company may not declare dividends or pay other distributions on shares of its common stock or make purchases of such shares if, at any time of the declaration, distribution or purchase, asset coverage with respect to total leverage would be less than 225%.

The holders of the mandatory redeemable preferred stock have one vote per share and will vote together with the holders of common stock as a single class except on matters affecting only the holders of mandatory redeemable preferred stock or the holders of common stock. The holders of the mandatory redeemable preferred stock, voting separately as a single class, have the right to elect at least two directors of the Company.

At August 31, 2013, the Company was in compliance with the asset coverage and basic maintenance requirements of its mandatory redeemable preferred stock.

13. Common Stock

At August 31, 2013, the Company had 184,040,000 shares of common stock authorized and 99,717,411 shares outstanding. As of that date, KACALP owned 4,000 shares. During fiscal 2013, the Company completed two public offerings of common stock: 1) on March 12, 2013, the Company sold 4,543,995 shares of common stock at a price of \$33.36 per share and 2) on July 15, 2013, the Company sold a 6,200,000 shares of common stock at a price of \$36.00 per share. Transactions in common shares for the nine months ended August 31, 2013 were as follows:

Shares outstanding at November 30, 2012	88,431,413
Shares issued through reinvestment of distributions	542,003
Shares issued in connection with the offering of common stock	10,743,995
Shares outstanding at August 31, 2013	99,717,411

14. Subsequent Events

On September 16, 2013, the Company completed a public offering of 2,000,000 shares of Series G mandatory redeemable preferred stock. The Series G shares pay cash dividends at a rate of 4.60% per annum and trade on the NYSE under the symbol KYN.PRG. The Series G shares have a mandatory redemption date of October 1, 2021. The net proceeds from the offering were used to make new portfolio investments, to repay indebtedness, and for general corporate purposes.

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On September 18, 2013, the Company declared its quarterly distribution of \$0.595 per common share for the third quarter of fiscal 2013 for a total quarterly distribution payment of \$59,389. The distribution was paid on October 11, 2013 to common stockholders of record on October 4, 2013. Of this total, pursuant to the Company's dividend reinvestment plan, \$6,436 was reinvested into the Company through the issuance of 196,092 shares of common stock.

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KAYNE ANDERSON MLP INVESTMENT COMPANY

NOTES TO FINANCIAL STATEMENTS

(amounts in 000 s, except number of option contracts, share and per share amounts)

(UNAUDITED)

On September 24, 2013, the Company commenced an at-the-market offering of shares of common stock having an aggregate sales price of up to \$50,000. The Company will pay the sales agent a total commission of up to 2% of the gross sales price per share for shares sold pursuant to the program. As of October 17, 2013 the Company had issued 270,368 shares of common stock through this program and received \$9,444 in net proceeds from these issuances.

The Company has performed an evaluation of subsequent events through the date the financial statements were issued and has determined that no additional items require recognition or disclosure.

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**UNAUDITED FINANCIAL STATEMENTS AS OF AND FOR THE SIX MONTHS ENDED MAY 31, 2013
AND FINANCIAL HIGHLIGHTS FOR THE PERIOD SEPTEMBER 28, 2004
THROUGH NOVEMBER 30, 2004 AND FOR THE FISCAL YEARS ENDED
NOVEMBER 30, 2005 THROUGH 2012**

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS: This report of Kayne Anderson MLP Investment Company (the Company) contains forward-looking statements as defined under the U.S. federal securities laws. Generally, the words believe, expect, intend, estimate, anticipate, project, will and similar expressions identify forward-looking statements, which generally are not historical in nature. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to materially differ from the Company's historical experience and its present expectations or projections indicated in any forward-looking statements. These risks include, but are not limited to, changes in economic and political conditions; regulatory and legal changes; master limited partnership industry risk; leverage risk; valuation risk; interest rate risk; tax risk; and other risks discussed in the Company's filings with the Securities and Exchange Commission (SEC). You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. The Company undertakes no obligation to update or revise any forward-looking statements made herein. There is no assurance that the Company's investment objectives will be attained.

Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****MANAGEMENT DISCUSSION****(UNAUDITED)****Company Overview**

Kayne Anderson MLP Investment Company is a non-diversified, closed-end fund that commenced operations in September 2004. Our investment objective is to obtain a high after-tax total return by investing at least 85% of our total assets in energy-related master limited partnerships and their affiliates (MLPs) and in other companies that operate assets used in the gathering, transporting, processing, storing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal (collectively with MLPs, Midstream Energy Companies).

As of May 31, 2013, we had total assets of \$5.6 billion, net assets applicable to our common stock of \$3.1 billion (net asset value of \$32.91 per share), and 93.3 million shares of common stock outstanding.

Our investments are principally in equity securities issued by MLPs, but we also may invest in debt securities of MLPs and debt/equity securities of Midstream Energy Companies. As of May 31, 2013, we held \$5.5 billion in equity investments and no debt investments.

Recent Events

On June 13, 2013, we completed a senior unsecured notes (Senior Notes) offering and received \$125 million (the June Funding) of the \$235 million total offering amount. The proceeds from the June Funding were used to refinance \$125 million principal amount of the Series K Senior Notes, which would have matured on June 19, 2013. The initial funding (April Funding) of \$110 million was received on April 16, 2013 and was used to make new portfolio investments and to repay amounts borrowed on our Credit Facility.

The table below sets forth the timing and key terms of the Senior Notes:

	April	June	Total		
	Funding	Funding	Amount	Interest	Maturity
Series	(\$ in millions)	(\$ in millions)	(\$ in millions)	Rate	Date
DD	\$ 35	\$ 40	\$ 75	2.74%	4/16/19
EE	24	26	50	3.20%	4/16/21
FF	30	35	65	3.57%	4/16/23
GG	21	24	45	3.67%	4/16/25
	\$ 110	\$ 125	\$ 235		

On July 15, 2013, we completed a public offering of 6,200,000 shares of common stock at a price of \$36.00 per share. The net proceeds of \$214.3 million will be used to make additional portfolio investments, to repay amounts borrowed on our unsecured revolving credit facility (the Credit Facility) and for general corporate purposes.

Results of Operations For the Three Months Ended May 31, 2013

Investment Income. Investment income totaled \$10.0 million for the quarter and consisted primarily of net dividends and distributions on our investments. We received \$75.2 million of dividends and distributions, of which \$64.4 million was treated as return of capital and \$0.8 million were distributions in excess of cost basis. We received \$6.9 million of paid-in-kind dividends during the quarter, which are not included in investment income, but are reflected as an unrealized gain.

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Operating Expenses. Operating expenses totaled \$36.8 million, including \$17.7 million of net investment management fees after fee waiver, \$10.6 million of interest expense (including non-cash amortization of debt issuance costs of \$0.7 million), and \$1.0 million of other operating expenses. Preferred stock distributions for the quarter were \$7.5 million (including non-cash amortization of issuance costs of \$2.0 million, premium paid associated with the redemption of Series D mandatory redeemable preferred stock of \$0.5 million and \$0.6 million of accrued dividends as a result of the redemption).

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****MANAGEMENT DISCUSSION****(UNAUDITED)**

Net Investment Loss. Our net investment loss totaled \$19.2 million and included a current and deferred income tax benefit of \$7.5 million.

Net Realized Gains. We had net realized gains from our investments of \$74.3 million, net of \$43.7 million of current and deferred tax expense.

Net Change in Unrealized Gains. We had a net change in unrealized gains of \$178.2 million. The net change consisted of \$282.2 million of unrealized gains from investments, \$0.6 million of unrealized gains from option activity and a deferred tax expense of \$104.6 million.

Net Increase in Net Assets Resulting from Operations. We had an increase in net assets resulting from operations of \$233.3 million. This increase was comprised of a net investment loss of \$19.2 million, net realized gains of \$74.3 million and net change in unrealized gains of \$178.2 million, as noted above.

Distributions to Common Stockholders

We pay quarterly distributions to our common stockholders, funded generally by net distributable income (NDI) generated from our portfolio investments. NDI is the amount of income received by us from our portfolio investments less operating expenses, subject to certain adjustments as described below. NDI is not a financial measure under the accounting principles generally accepted in the United States of America (GAAP). Refer to the Reconciliation of NDI to GAAP section below for a reconciliation of this measure to our results reported under GAAP.

Income from portfolio investments includes (a) cash dividends and distributions, (b) paid-in-kind dividends received (i.e., stock dividends), (c) interest income from debt securities and commitment fees from private investments in public equity (PIPE investments) and (d) net premiums received from the sale of covered calls.

Operating expenses include (a) investment management fees paid to our investment adviser, (b) other expenses (mostly comprised of fees paid to other service providers), (c) interest expense and preferred stock distributions and (d) current and deferred income tax expense/benefit on net investment income/loss.

Net Distributable Income (NDI)

(amounts in millions, except for per share amounts)

	Three Months Ended May 31, 2013
Distributions and Other Income from Investments	
Dividends and Distributions	\$ 75.2
Paid-In-Kind Dividends	6.9
Net Premiums Received from Call Options Written	0.9
Total Distributions and Other Income from Investments	83.0
Expenses	
Investment Management Fee, net of Fee Waiver	(17.7)
Other Expenses	(1.0)

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Interest Expense		(11.0)
Preferred Stock Distributions		(4.4)
Income Tax Benefit		7.5
Net Distributable Income (NDI)	\$	56.4
Weighted Shares Outstanding		92.9
NDI per Weighted Share Outstanding	\$	0.61
Adjusted NDI per Weighted Share Outstanding⁽¹⁾	\$	0.62
Distributions paid per Common Share⁽²⁾	\$	0.58

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KAYNE ANDERSON MLP INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

- (1) Adjusted to exclude \$0.5 million of premium paid and \$0.6 million of accrued dividends as a result of the redemption of Series D mandatory redeemable preferred stock.

- (2) The distribution of \$0.58 per share for the second quarter of fiscal 2013 was paid to common stockholders on July 12, 2013. Payment of future distributions is subject to Board of Directors approval, as well as meeting the covenants of our debt agreements and terms of our preferred stock. In determining our quarterly distribution to common stockholders, our Board of Directors considers a number of factors that include, but are not limited to:

NDI and Adjusted NDI generated in the current quarter;

Expected NDI over the next twelve months; and

Realized and unrealized gains generated by the portfolio.

On June 18, 2013, we declared a quarterly distribution of \$0.58 per common share for the second quarter of fiscal 2013 (a total distribution of \$54.1 million). The distribution represents an increase of 2.7% from the prior quarter's distribution and an increase of 10.0% from the distribution for the quarter ended May 31, 2012. The distribution was paid on July 12, 2013 to common stockholders of record on July 5, 2013.

Reconciliation of NDI to GAAP

The difference between distributions and other income from investments in the NDI calculation and total investment income as reported in our Statement of Operations is reconciled as follows:

GAAP recognizes that a significant portion of the cash distributions received from MLPs is characterized as a return of capital and therefore excluded from investment income, whereas the NDI calculation includes the return of capital portion of such distributions.

GAAP recognizes distributions, received from MLPs, that exceed the cost basis of our securities to be realized gains and are therefore excluded from investment income, whereas the NDI calculation includes these distributions.

NDI includes the value of paid-in-kind dividends, whereas such amounts are not included as investment income for GAAP purposes, but rather are recorded as unrealized gains upon receipt.

NDI includes commitment fees from PIPE investments, whereas such amounts are generally not included in investment income for GAAP purposes, but rather are recorded as a reduction to the cost of the investment.

Certain of our investments in debt securities were purchased at a discount or premium to the par value of such security. When making such investments, we consider the security's yield to maturity, which factors in the impact of such discount (or premium). Interest income reported under GAAP includes the non-cash accretion of the discount (or amortization of the premium) based on the effective interest method. When we calculate interest income for purposes of determining NDI, in order to better reflect the yield to maturity, the accretion of the discount (or amortization of the premium) is calculated on a straight-line basis to the earlier of the expected call date or the maturity of the debt security.

We may sell covered call option contracts to generate income or to reduce our ownership of certain securities that we hold. In some cases, we are able to repurchase these call option contracts at a price less than the fee that we received, thereby generating a profit. The premium we receive from selling call options, less (i) the premium that we pay to repurchase such call option contracts and (ii) the amount by which the market price of an underlying security is above the strike price at the time a new call option is written, is included in NDI. For GAAP purposes, premiums received from call option contracts sold are

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KAYNE ANDERSON MLP INVESTMENT COMPANY

MANAGEMENT DISCUSSION

(UNAUDITED)

not included in investment income. See Note 2 Significant Accounting Policies for a full discussion of the GAAP treatment of option contracts.

The treatment of expenses included in NDI also differs from what is reported in the Statement of Operations as follows:

The non-cash amortization or write-offs of capitalized debt issuance costs and preferred stock offering costs related to our financings is included in interest expense and distributions on mandatory redeemable preferred stock for GAAP purposes, but is excluded from our calculation of NDI.

NDI also includes recurring payments (or receipts) on interest rate swap contracts (excluding termination payments) whereas for GAAP purposes, these amounts are included in the realized gains/losses section of the Statement of Operations.

Liquidity and Capital Resources

Total leverage outstanding at May 31, 2013 of \$1,452 million was comprised of \$1 billion of Senior Notes, \$53 million outstanding under our Credit Facility and \$399 million of mandatory redeemable preferred stock. Total leverage represented 26% of total assets at May 31, 2013. As of July 24, 2013, we had \$97 million borrowed under our Credit Facility, and we had \$15 million of cash.

On March 5, 2013, we entered into a new Credit Facility with a syndicate of lenders. The new Credit Facility has a three-year commitment maturing on March 4, 2016 and a total commitment amount of \$250 million, an increase of \$50 million from the prior Credit Facility. The interest rate varies between LIBOR plus 1.60% and LIBOR plus 2.25%, depending on our asset coverage ratios. Outstanding loan balances accrue interest daily at a rate equal to one-month LIBOR plus 1.60% based on current asset coverage ratios. We pay a fee of 0.30% per annum on any unused amounts of the Credit Facility. A full copy of our Credit Facility is available on our website, www.kaynefunds.com.

We had \$1 billion of Senior Notes outstanding at May 31, 2013. On April 16, 2013, we executed a definitive agreement for the private placement of \$235 million of Senior Notes. In conjunction with the execution of this agreement, on April 16, 2013, we received funding of \$110 million of the \$235 million total offering amount. The remaining \$125 million was funded on June 13, 2013 and was used to refinance \$125 million principal amount of our Series K Senior Notes, which would have matured on June 19, 2013. The remaining Senior Notes mature between 2014 and 2025.

As of May 31, 2013, we had \$399 million of mandatory redeemable preferred stock outstanding. On April 3, 2013, we completed a public offering of \$125 million of Series F mandatory redeemable preferred stock. A portion of the proceeds were used to redeem all of the Series D mandatory redeemable preferred stock with a \$100 million liquidation preference. The remaining mandatory redeemable preferred stock outstanding is subject to mandatory redemption at various dates from 2017 through 2020.

At May 31, 2013, our asset coverage ratios under the Investment Company Act of 1940, as amended (the 1940 Act), were 430% and 312% for debt and total leverage (debt plus preferred stock), respectively. Our long-term target asset coverage ratio with respect to our debt is 375%, but at times may be above or below our target depending on market conditions.

As of May 31, 2013, our total leverage consisted of both fixed rate (86%) and floating rate (14%) obligations. At such date, the weighted average interest/dividend rate on our total leverage was 4.0%.

Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****PORTFOLIO SUMMARY****(UNAUDITED)****Portfolio Investments by Category****May 31, 2013****November 30, 2012****Top 10 Holdings by Issuer**

Holding	Sector	Percent of Total Investments* as of	
		May 31, 2013	November 30, 2012
1. Enterprise Products Partners L.P.	Midstream MLP	9.1%	8.9%
2. Plains All American Pipeline, L.P.	Midstream MLP	7.0	7.1
3. Kinder Morgan Management, LLC	Midstream MLP	6.5	7.5
4. MarkWest Energy Partners, L.P.	Midstream MLP	6.1	5.6
5. Williams Partners L.P.	Midstream MLP	4.5	4.3
6. Regency Energy Partners LP	Midstream MLP	4.0	3.9
7. ONEOK Partners, L.P.	Midstream MLP	3.9	3.7
8. DCP Midstream Partners, LP	Midstream MLP	3.4	2.5
9. Enbridge Energy Partners, L.P.	Midstream MLP	3.2	3.7
10. Buckeye Partners, L.P.	Midstream MLP	3.2	3.0

* Includes cash and repurchase agreement (if any).

Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****SCHEDULE OF INVESTMENTS****MAY 31, 2013****(amounts in 000 s, except number of option contracts)****(UNAUDITED)**

Description	No. of Shares/Units	Value
Long-Term Investments 179.2%		
Equity Investments⁽¹⁾ 179.2%		
Midstream MLP⁽²⁾ 145.5%		
Access Midstream Partners, L.P.	2,309	\$ 99,334
Atlas Pipeline Partners, L.P.	1,085	40,377
Boardwalk Pipeline Partners, LP	712	21,073
Buckeye Partners, L.P.	1,692	111,898
Buckeye Partners, L.P. Class B Unit ⁽³⁾⁽⁴⁾	967	62,191
Crestwood Midstream Partners LP	4,134	102,327
Crosstex Energy, L.P.	5,558	107,038
DCP Midstream Partners, LP	3,966	189,595
El Paso Pipeline Partners, L.P.	4,175	171,542
Enbridge Energy Management, L.L.C. ⁽⁴⁾	190	5,655
Enbridge Energy Partners, L.P.	5,925	174,852
Energy Transfer Partners, L.P.	3,313	161,053
Enterprise Products Partners L.P.	8,489	504,153
Global Partners LP	2,019	66,455
Inergy, L.P.	4,543	105,860
Inergy Midstream, L.P.	3,351	75,353
Kinder Morgan Energy Partners, LP	1,031	85,972
Kinder Morgan Management, LLC ⁽⁴⁾	4,436	360,278
Magellan Midstream Partners, L.P.	2,469	128,374
MarkWest Energy Partners, L.P. ⁽⁵⁾	5,090	335,157
Niska Gas Storage Partners LLC	2,054	30,847
NuStar Energy L.P.	913	42,538
ONEOK Partners, L.P.	4,110	212,708
Plains All American Pipeline, L.P. ⁽⁵⁾	6,852	384,934
PVR Partners, L.P. ⁽⁵⁾	5,299	136,494
Regency Energy Partners LP	8,640	221,537
Summit Midstream Partners, LP	1,134	35,340
Sunoco Logistics Partners L.P.	164	9,947
Targa Resources Partners L.P.	2,204	102,527
Tesoro Logistics LP ⁽⁶⁾	556	34,476
Western Gas Partners, LP	1,708	100,454
Williams Partners L.P.	5,007	249,806
		4,470,145
Shipping MLP 9.3%		
Capital Product Partners L.P.	2,841	26,079
Capital Products Partners L.P., Class B Unit ⁽³⁾⁽⁷⁾	3,030	29,743
Golar LNG Partners LP	729	24,288
KNOT Offshore Partners LP ⁽⁸⁾	189	4,404

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Navios Maritime Partners L.P.	1,876	25,965
Teekay LNG Partners L.P.	1,725	73,994
Teekay Offshore Partners L.P.	3,083	99,996
		284,469
Midstream 8.8%		
Kinder Morgan, Inc.	1,220	46,343
ONEOK, Inc.	1,510	68,139

See accompanying notes to financial statements.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****SCHEDULE OF INVESTMENTS****MAY 31, 2013****(amounts in 000 s, except number of option contracts)****(UNAUDITED)**

Description	No. of Shares/Units	Value
Midstream (continued)		
Plains All American GP LLC Unregistered ⁽³⁾⁽⁵⁾	24	\$ 79,229
Targa Resources Corp.	183	11,764
The Williams Companies, Inc.	1,873	65,899
		271,374
General Partner MLP 6.7%		
Alliance Holdings GP L.P.	1,885	120,136
Energy Transfer Equity, L.P. ⁽⁶⁾	1,310	74,875
Western Gas Equity Partners, LP	250	9,363
		204,374
Upstream MLP & Income Trust 4.2%		
BreitBurn Energy Partners L.P.	2,294	42,506
Legacy Reserves L.P.	398	10,540
LRR Energy, L.P.	89	1,201
Mid-Con Energy Partners, LP	1,827	42,604
Pacific Coast Oil Trust	578	10,583
SandRidge Mississippian Trust II	702	8,881
SandRidge Permian Trust	678	9,629
VOC Energy Trust	347	4,554
		130,498
Other 4.7%		
Alliance Resource Partners, L.P. ⁽⁶⁾	153	11,070
Clearwater Trust ⁽³⁾⁽⁵⁾⁽⁹⁾	N/A	2,350
Emerge Energy Services LP ⁽⁵⁾⁽⁸⁾	274	5,059
Exterran Partners, L.P.	2,840	78,693
PetroLogistics LP	893	12,055
SunCoke Energy Partners, L.P.	866	18,447
USA Compression Partners, LP	747	16,569
		144,243
Total Equity Investments (Cost \$3,175,476)		5,505,103

Strike Price	Expiration Date	No. of Contracts
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Liabilities				
Call Option Contracts Written⁽¹⁰⁾				
Midstream MLP				
Tesoro Logistics LP	\$ 60.00	6/21/13	1,000	(295)
General Partner MLP				
Energy Transfer Equity, L.P.	60.00	6/21/13	2,000	(98)
Other				
Alliance Resource Partners, L.P.	75.00	6/21/13	200	(12)
Total Call Option Contracts Written (Premiums Received \$367)				(405)

See accompanying notes to financial statements.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****SCHEDULE OF INVESTMENTS****MAY 31, 2013****(amounts in 000 s, except number of option contracts)****(UNAUDITED)**

Description	Value
Credit Facility	\$ (53,000)
Senior Unsecured Notes	(1,000,000)
Mandatory Redeemable Preferred Stock at Liquidation Value	(399,000)
Deferred Tax Liability	(950,975)
Other Liabilities	(86,070)
Total Liabilities	(2,489,450)
Current Tax Asset	107
Other Assets	56,218
Total Liabilities in Excess of Other Assets	(2,433,125)
Net Assets Applicable to Common Stockholders	\$ 3,071,978

- (1) Unless otherwise noted, equity investments are common units/common shares.
- (2) Includes limited liability companies.
- (3) Fair valued securities, restricted from public sale. See Notes 2, 3 and 7 in Notes to Financial Statements.
- (4) Distributions are paid-in-kind.
- (5) The Company believes that it is an affiliate of Clearwater Trust, Emerge Energy Services LP, MarkWest Energy Partners, L.P., PVR Partners, L.P., Plains All American Pipeline, L.P. and Plains All American GP LLC. See Note 5 Agreements and Affiliations.
- (6) Security or a portion thereof is segregated as collateral on option contracts written.
- (7) Security is convertible on a one-for-one basis into common units of Capital Product Partners L.P. (CPLP) and is senior to the common units in terms of liquidation preference and priority of distributions. The Class B units pay quarterly cash distributions of \$0.21375 per unit and are convertible at any time at the option of the holder. If CPLP increases the quarterly cash distribution per common unit, the distribution per Class B unit will increase by an equal amount. If CPLP does not redeem the Class B units by May 2022, then the distribution increases by 25% per quarter to a maximum of \$0.33345 per unit. CPLP may require that the Class B units convert into

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common units after May 2015 if the common unit price exceeds \$11.70 per unit, and the Class B units are callable after May 2017 at a price of \$9.27 per unit and after May 2019 at \$9.00 per unit.

- (8) Security is not currently paying cash distributions but is expected to pay cash distributions within the next 12 months.
- (9) The Company owns an interest in the Creditors Trust of Miller Bros. Coal, LLC (Clearwater Trust) consisting of a coal royalty interest. See Notes 5 and 7 in Notes to Financial Statements.
- (10) Security is non-income producing.

See accompanying notes to financial statements.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****STATEMENT OF ASSETS AND LIABILITIES****MAY 31, 2013****(amounts in 000 s, except share and per share amounts)****(UNAUDITED)****ASSETS**

Investments at fair value:	
Non-affiliated (Cost \$2,823,804)	\$ 4,561,880
Affiliated (Cost \$351,672)	943,223
Total investments (Cost \$3,175,476)	5,505,103
Cash	5,835
Deposits with brokers	251
Receivable for securities sold	36,557
Interest, dividends and distributions receivable	522
Current tax asset	107
Deferred debt issuance and preferred stock offering costs and other assets	13,053
Total Assets	5,561,428

LIABILITIES

Payable for securities purchased	48,732
Investment management fee payable	17,664
Accrued directors' fees and expenses	92
Call option contracts written (Premiums received \$367)	405
Accrued expenses and other liabilities	19,582
Deferred tax liability	950,975
Credit facility	53,000
Senior unsecured notes	1,000,000
Mandatory redeemable preferred stock, \$25.00 liquidation value per share (15,960,000 shares issued and outstanding)	399,000
Total Liabilities	2,489,450

NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS \$ 3,071,978

NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS CONSIST OF

Common stock, \$0.001 par value (93,338,082 shares issued and outstanding, 184,040,000 shares authorized)	\$ 93
Paid-in capital	1,873,090
Accumulated net investment loss, net of income taxes, less dividends	(657,485)
Accumulated realized gains on investments, options, and interest rate swap contracts, net of income taxes	392,617
Net unrealized gains on investments and options, net of income taxes	1,463,663

NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS \$ 3,071,978

NET ASSET VALUE PER COMMON SHARE \$ 32.91

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See accompanying notes to financial statements.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****STATEMENT OF OPERATIONS**

(amounts in 000 s)

(UNAUDITED)

	For the Three Months Ended May 31, 2013	For the Six Months Ended May 31, 2013
INVESTMENT INCOME		
Income		
Dividends and distributions:		
Non-affiliated investments	\$ 63,119	\$ 118,330
Affiliated investments	12,121	23,481
Total dividends and distributions	75,240	141,811
Return of capital	(64,424)	(121,261)
Distributions in excess of cost basis	(771)	(1,506)
Total Investment Income	10,045	19,044
Expenses		
Investment management fees, before investment management fee waiver	17,871	33,629
Administration fees	240	455
Professional fees	140	289
Custodian fees	124	241
Reports to stockholders	111	199
Directors' fees and expenses	98	186
Insurance	58	116
Other expenses	233	433
Total expenses before interest expense, preferred distributions and taxes	18,875	35,548
Investment management fee waiver	(207)	(252)
Interest expense and amortization of debt issuance costs	10,598	20,171
Distributions on mandatory redeemable preferred stock and amortization of offering costs	7,550	12,395
Total expenses before taxes	36,816	67,862
Net Investment Loss Before taxes	(26,771)	(48,818)
Current tax expense	(427)	
Deferred tax benefit	7,975	14,324
Net Investment Loss	(19,223)	(34,494)
REALIZED AND UNREALIZED GAINS (LOSSES)		
Net Realized Gains		
Investments non-affiliated	117,853	161,603
Investments affiliated	(498)	(498)
Options	611	797
Interest rate swap contracts	32	32
Current tax benefit	1,024	
Deferred tax expense	(44,684)	(59,916)

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Net Realized Gains	74,338	102,018
Net Change in Unrealized Gains (Losses)		
Investments non-affiliated	190,460	488,995
Investments affiliated	91,773	190,582
Options	545	(65)
Interest rate swap contracts	16	
Deferred tax expense	(104,636)	(251,422)
Net Change in Unrealized Gains	178,158	428,090
Net Realized and Unrealized Gains	252,496	530,108
NET INCREASE IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS RESULTING FROM OPERATIONS	\$ 233,273	\$ 495,614

See accompanying notes to financial statements.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****STATEMENT OF CHANGES IN NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS**

(amounts in 000 s, except share amounts)

	For the Six Months Ended May 31, 2013 (Unaudited)	For the Fiscal Year Ended November 30, 2012
OPERATIONS		
Net investment loss, net of tax ⁽¹⁾	\$ (34,494)	\$ (58,611)
Net realized gains, net of tax	102,018	94,944
Net change in unrealized gains, net of tax	428,090	235,058
Net Increase in Net Assets Resulting from Operations	495,614	271,391
DIVIDENDS AND DISTRIBUTIONS TO COMMON STOCKHOLDERS⁽¹⁾		
Dividends	(101,276) ⁽²⁾	(127,330) ⁽³⁾
Distributions - return of capital	(2)	(45,115) ⁽³⁾
Dividends and Distributions to Common Stockholders	(101,276)	(172,445)
CAPITAL STOCK TRANSACTIONS		
Issuance of common stock offering of 4,543,995 and 12,500,000 shares of common stock, respectively	151,588	385,075
Underwriting discounts and offering expenses associated with the issuance of common stock	(6,281)	(16,085)
Issuance of 362,674 and 801,204 newly issued shares of common stock from reinvestment of dividends and distributions, respectively	11,512	23,282
Net Increase in Net Assets Applicable to Common Stockholders from Capital Stock Transactions	156,819	392,272
Total Increase in Net Assets Applicable to Common Stockholders	551,157	491,218
NET ASSETS APPLICABLE TO COMMON STOCKHOLDERS		
Beginning of period	2,520,821	2,029,603
End of period	\$ 3,071,978	\$ 2,520,821

- (1) Distributions on the Company's mandatory redeemable preferred stock are treated as an operating expense under GAAP and are included in the calculation of net investment loss. See Note 2 - Significant Accounting Policies. The Company estimates that the distribution in the amount of \$10,152 paid to mandatory redeemable preferred stockholders during the six months ended May 31, 2013 will be characterized as a dividend (eligible to be treated as qualified dividend income). This estimate is based solely on the Company's operating results during the period and does not reflect the expected results during the fiscal year. The actual characterization of the mandatory redeemable preferred stock distributions made during the period will not be determinable until after the end of the fiscal year when the Company can determine earnings and profits. Therefore, the characterization may differ from the preliminary estimates. Distributions in the amount of \$17,409 paid to mandatory redeemable preferred stockholders for the fiscal year ended November 30, 2012 were characterized as qualified dividend income. This characterization is based on the Company's earnings and profits.

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- (2) This is an estimate of the characterization of the distributions paid to common stockholders for the six months ended May 31, 2013 as either a dividend (eligible to be treated as qualified dividend income) or distributions (return of capital). This estimate is based solely on the Company's operating results during the period and does not reflect the expected results during the fiscal year. The actual characterization of the common stock distributions made during the current year will not be determinable until after the end of the fiscal year when the Company can determine earnings and profits. Therefore, the characterization may differ from the preliminary estimates.
- (3) Distributions paid to common stockholders for the fiscal year ended November 30, 2012 are characterized as either dividends (eligible to be treated as qualified dividend income) or distributions (return of capital). This characterization is based on the Company's earnings and profits.

See accompanying notes to financial statements.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****STATEMENT OF CASH FLOWS****FOR THE SIX MONTHS ENDED MAY 31, 2013****(amounts in 000 s)****(UNAUDITED)**

CASH FLOWS FROM OPERATING ACTIVITIES	
Net increase in net assets resulting from operations	\$ 495,614
Adjustments to reconcile net increase in net assets resulting from operations to net cash used in operating activities:	
Return of capital distributions	121,261
Net realized gains	(161,934)
Net unrealized gains	(679,577)
Purchase of long-term investments	(856,122)
Proceeds from sale of long-term investments	545,213
Increase in deposits with brokers	(35)
Increase in receivable for securities sold	(29,878)
Increase in interest, dividends and distributions receivable	(434)
Increase in current tax asset	(107)
Amortization of deferred debt issuance costs	1,078
Amortization of mandatory redeemable preferred stock issuance costs	2,243
Decrease in other assets, net	24
Increase in payable for securities purchased	44,181
Increase in investment management fee payable	2,477
Decrease in accrued directors' fees and expenses	(2)
Increase in call option contracts written, net	26
Increase in accrued expenses and other liabilities	319
Decrease in current tax liability	(539)
Increase in deferred tax liability	297,014
Net Cash Used in Operating Activities	(219,178)
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in borrowings under credit facility	34,000
Issuance of shares of common stock, net of offering costs	145,307
Proceeds from offering of senior unsecured notes	110,000
Proceeds from issuance on mandatory redeemable preferred stock	125,000
Redemption of mandatory redeemable preferred stock	(100,000)
Costs associated with renewal of credit facility	(1,962)
Costs associated with issuance of senior unsecured notes	(910)
Costs associated with issuance of mandatory redeemable preferred stock	(2,776)
Cash distributions paid to common stockholders, net	(89,764)
Net Cash Provided by Financing Activities	218,895
NET DECREASE IN CASH	(283)
CASH BEGINNING OF PERIOD	6,118
CASH END OF PERIOD	\$ 5,835

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Supplemental disclosure of cash flow information:

Non-cash financing activities not included herein consisted of reinvestment of distributions of \$11,512 pursuant to the Company's dividend reinvestment plan.

During the six months ended May 31, 2013, interest paid was \$18,642 and income tax paid was \$646.

The Company received \$14,025 paid-in-kind dividends during the six months ended May 31, 2013. See Note 2 Significant Accounting Policies.

See accompanying notes to financial statements.

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Table of Contents**KAYNE ANDERSON MLP INVESTMENT COMPANY****FINANCIAL HIGHLIGHTS**

(amounts in 000 s, except share and per share amounts)

	For the Six Months Ended May 31, 2013 (Unaudited)	2012	2011	2010	For the Fiscal Year Ended November 30,			2006	2005	For the Period September 28, 2004 ⁽¹⁾ through November 30, 2004
Per Share of Common Stock⁽²⁾										
Net asset value, beginning of period	\$ 28.51	\$ 27.01	\$ 26.67	\$ 20.13	\$ 14.74	\$ 30.08	\$ 28.99	\$ 25.07	\$ 23.91	\$ 23.70 ⁽³⁾
Net investment income (loss) ⁽⁴⁾	(0.37)	(0.71)	(0.69)	(0.44)	(0.33)	(0.73)	(0.73)	(0.62)	(0.17)	0.02
Net realized and unrealized gain (loss)	5.84	4.27	2.91	8.72	7.50	(12.56)	3.58	6.39	2.80	0.19
Total income (loss) from operations	5.47	3.56	2.22	8.28	7.17	(13.29)	2.85	5.77	2.63	0.21
Dividends and distributions auction rate preferred ⁽⁴⁾⁽⁵⁾					(0.01)	(0.10)	(0.10)	(0.10)	(0.05)	
Common dividends ⁽⁵⁾	(1.12)	(1.54)	(1.26)	(0.84)			(0.09)		(0.13)	
Common distributions return of capital ⁽⁵⁾		(0.55)	(0.72)	(1.08)	(1.94)	(1.99)	(1.84)	(1.75)	(1.37)	
Total dividends and distributions common	(1.12)	(2.09)	(1.98)	(1.92)	(1.94)	(1.99)	(1.93)	(1.75)	(1.50)	
Underwriting discounts and offering costs on the issuance of auction rate preferred stock										(0.03)
Effect of issuance of common stock	0.05	0.02	0.09	0.16	0.12		0.26		0.11	
Effect of shares issued in reinvestment of distributions		0.01	0.01	0.02	0.05	0.04	0.01			

